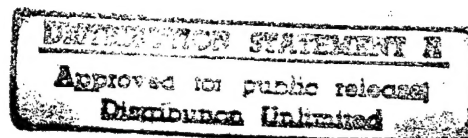




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# ***JPRS Report***



# **China**

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## GENERAL

### Primakov's Efforts Toward Gulf Settlement Noted

91CM0075A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 46, 12 Nov 90 p 38

[Article by special correspondent Li Zhurun (2621 4554 3387): "Primakov's Shuttle Diplomacy"]

[Excerpt] [passage omitted] Even more amazing is the optimistic outlook Primakov has for a peaceful settlement of the Gulf crisis. He has made repeated statements that "the chance for a peaceful settlement of the Gulf crisis is definitely not lost," Iraq may express a more "flexible attitude," and that "the Soviet Union is hoping for a bloodless and peaceful solution to the Gulf crisis." During a press conference on 27 October in Madrid, Gorbachev hinted that the unyielding stance of the Iraqi leaders regarding the problem in the Gulf "may soften." It would seem by this that the rushing about here and there done by Primakov was not fruitless.

Following the invasion of Kuwait by Iraq, U.S. land, naval, and air forces and those of its Western Allies surged like a tidal wave toward the Gulf. Armed forces were sent to Saudi Arabia by the countries of Egypt, Syria, and Morocco, as well as Pakistan and Bangladesh. During this time, Iraq was carrying out a large-scale military buildup in Kuwait. Both sides have been saber rattling and the situation is extremely dangerous. Many people believe that war could break out at anytime. However, since the latter half of September the situation has been experiencing a subtle and startling change. In a speech at the United Nations on 24 September, French President Mitterrand put forward a phased peace plan that would require Iraq to withdraw its forces from Kuwait immediately, and also vowed that only after Iraq has guaranteed withdrawal of its forces and released all hostages could the concerned parties carry out dialogue on the Lebanon problem and the Arab-Israeli disputes. U.S. President Bush also pointed out during a speech at the United Nations on 1 October that work on settling other regional problems can be started only if Iraq unconditionally withdraws its forces from Kuwait. The speeches by these leaders of two Western nations resulted in large repercussions. Many observers believe that while the United States and its Western allies are maintaining their "stand on principles," the choice to be made between "peace" and "war" will shift at the crucial time towards "peace." Following this, a number of Arab nations expressed their hope of using the UN Security Council's resolutions on the Gulf crisis as a foundation to negotiate a peaceful settlement within the Arab world. Iraq also expressed a willingness to resolve the Gulf dispute through negotiation, and, to show its "friendship," released a number of its Western hostages in groups which included 14 U.S. citizens.

It was against this backdrop that Primakov undertook his "mission of peace." On 28 October, one day after Gorbachev hinted that Iraq's attitude "could soften,"

the news was transmitted from Baghdad that "no breakthroughs were made" in the meeting between Primakov and Saddam. According to reports, this special envoy and Saddam originally planned to hold two meetings, but the second was canceled when it became clear that the differences in the viewpoints of the two sides were too great.

The Soviet Government did not reveal what took place in the meeting. However, a news report from a Soviet news agency, and one that the government did not deny, attracted worldwide attention by reporting that Primakov had stated that the two islands belonging to Kuwait and the oilfield that stretches across the Kuwait-Iraq border should be ceded to Iraq in exchange for withdrawing its forces from Kuwait. Iraq repeatedly asserted that Kuwait is "an inseparable part of Iraq" and proclaimed that its decision to name this sovereign state it annexed as Iraq's "19th province" is "final and cannot be changed." Therefore, even though Primakov supported these concessions to Iraq, he still met with Iraqi opposition. People noted that, while Primakov was going back and forth between the concerned nations, Kuwait proclaimed that it "would not give up one inch of territory," and was willing to stay this course to obtain its freedom even if it resulted in the entire nation being turned into scorched earth. The six-nation Gulf Cooperation Council, of which Kuwait is a member, supports the UN Security Council's resolutions demanding that Iraq immediately and unconditionally withdraw all its forces from Kuwait and that the lawful government of Kuwait be restored. The council has also expressed that "there is no room for compromise" regarding these two points. Since 26 October Egyptian President Mubarak has repeatedly issued statements that "there is no way out" except for Iraq to withdraw its forces. He said Egypt and the entire world hope for a peaceful settlement to the Gulf crisis; however, if Iraq does not withdraw, then the use of military means cannot be avoided. This strong wording may obviously be tempered.

At present, Primakov is continuing his original plan of carrying out a "mission of peace." On 29 October Gorbachev reaffirmed the Soviet stand of opposing the use of military force to resolve the Gulf crisis. He believes there are signs the leaders of Iraq will listen to their intuition and in the end will obey the voice of the United Nations. On this same day Bush stated the following while in San Francisco: "The United States will not hesitate to use force" to confront any provocation by Iraq, and he believes that the consultations between the Soviet Union and Iraq "will not be a positive factor." The sharp differences in views between the leaders of the United States and Soviet Union is forcing people to acknowledge the seriousness of the Gulf situation.

The Gulf crisis has been going on for three months now with neither party willing to budge from its original position. In the words of Mubarak, there is a 50 percent chance of war or peace. As the crisis enters its fourth month, how much longer can this deadlocked position

continue? May the balance between "war" and "peace" suddenly tilt towards "war?" The people must be on guard against this.

## SOVIET UNION

### Gorbachev Admits 'Major Errors' in Reform

HK1912020590 Beijing GUANGMING RIBAO  
in Chinese 11 Dec 90 p 4

[Report by Yang Zheng (2799 2398): "Gorbachev Admits Serious Errors in Soviet Political Reform"]

[Text] Moscow, 10 Dec (GUANGMING RIBAO)—Major errors have occurred in Soviet political reform and these errors have caused serious, negative, and destructive consequences, Soviet President Gorbachev said.

Gorbachev made these remarks at a national meeting of responsible persons from large enterprises on 7 December. Today PRAVDA published the full text of his speech.

Gorbachev said they now clearly understand this situation. Without a stable political situation, without administrative institutions playing an effective role from the higher authorities to the lower levels, nothing will be accomplished, he pointed out, adding that there should be "an engine, a gearbox, and a brake" in each system.

## NEAR EAST/SOUTH ASIA

### Analysis of Political Situation in Pakistan

91CM0074A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 45, 5 Nov 90 p 44

["Special report" from Islamabad by correspondents Li Jiasheng (2621 1367 5116) and Ge Xiangwen (5514 4161 2429): "Pakistan's Election and Future Government"]

[Text] The Pakistan National Assembly held an election on 24 November. The election resulted in the Pakistan Muslim League's Islamic Democratic Alliance [IDA] winning 105 seats in the 217-seat assembly compared to the 45 seats won by the People's Democratic Alliance backed by the Pakistan People's Party [PPP]. The remaining seats were taken either by people not affiliated with a political party or by other political parties. The leader of the People's Democratic Alliance, Benazir Bhutto, the first female prime minister in the Islamic world, had to resign from her position after being in power for 20 months. It is a foregone conclusion that a Cabinet will be formed by the allied party groups of the IDA, but Pakistan's political situation does not seem to be able to balance itself out.

Benazir Bhutto's PPP was the dominant party in the November 1988 elections, winning 93 assembly seats. The PPP also obtained the support of some minor

parties and independent assemblymen and, with a majority of 148 seats, was able to form the Cabinet. However, after 20 months in power it met with failure. There were several reasons for this: The main reason, of course, was that the caretaker Cabinet was partial toward the IDA, but the poor showing by the PPP over two years was also a factor in its collapse.

On 6 August, when Pakistan President Ghulam Ishaq Khan dismissed the Cabinet and removed Benazir Bhutto from her post he talked about the many "crimes" of the Benazir Bhutto government. The three main charges were corruption, appointing people by favoritism, and incompetence. Corruption has been a common failing of past governments, with ministers and important people using their authority for profit. However, because Benazir Bhutto's PPP was brought to power by election, the corrupt activities of her trusted followers and ministers caused the people to lose hope in the Benazir Bhutto government. In the two months since Bhutto was removed from office, Bhutto, her husband, her father-in-law, and some ministers have been charged by the president. Some have already been arrested and others are faced with special court trials.

Ghulam Ishaq Khan did not dismiss the Benazir Bhutto government for merely having a poor political showing, it was the result of a long period of unfriendly relations between the two sides. The foundation for the president and military was established by the former military regime and is incompatible with the PPP. Faced with the results of the November 1988 election, the president had no alternative but to allow the assembly's major party leader Bhutto to organize the Cabinet. After assuming power, Bhutto continually challenged the president's authority and tried to control political decision making with military force. This resulted in Bhutto losing the cooperation of the president and the support of the military. Furthermore, the PPP lost nearly all of its former allies in the assembly and was besieged on all sides. After Benazir Bhutto was removed from office, the leader of the opposing parties, Mustafa Jatoi, was named interim prime minister. A special court was established to investigate the "criminal activities" of the Bhutto government and a major purge was carried out involving senior, midlevel, and even grassroots-level officials of the Bhutto government. Officials from the central government to provincial department levels who held posts during the period of former prime minister Ziaul Haq were recalled to work in various government organs and to assist with the interim Cabinet. The government-controlled propaganda organs began a large-scale movement to expose and attack the PPP. All of this helped ensure victory by the IDA and defeat of the PPP in the last election.

As the IDA assumes power, how will Pakistan's political situation develop? Observers here do not believe there will be a marked change; the assembly will continue to have intense struggles and it will be difficult to stabilize the government.

The IDA was hastily formed by merging nine political parties in 1988; the main purpose of organizing this alliance was to prevent the PPP from assuming power. It is an alliance of several different religions and factions, each supporting its individual views, and as a result, major problems exist in the alliance. First of all, there were some large differences among the factions regarding the appointment of a prime minister, and even though they came up with a prime minister through compromise, the problems will be hard to eliminate.

In addition to the above, there are many difficult economic and social problems facing the new government. Pakistan has a \$2 billion debt, the increase in oil prices caused by the Gulf crisis alone has created an additional \$1 billion debt for Pakistan. Forced by actual difficulties and under international pressure, the new government had to increase domestic consumer oil prices right after assuming power. The increase in oil prices will cause a chain reaction resulting in higher prices for daily use articles and an increase in the current inflation rate of 10.4 percent. Due to many factors, the United States and international financial institutions have stopped financial aid to Pakistan. Additionally, the Gulf crisis has

caused many overseas nationals to return to Pakistan, sharply reducing overseas exchange earnings and further adding to the country's economic woes.

In recent years, social order has become worse and worse in Pakistan, especially among the people of its southern Sind Province where religious conflicts are becoming more intense. The several previous governments have been powerless in dealing with the sharp rise in social crime. The question of whether or not the new government can solve these problems remains unanswered.

Although the PPP won only 45 assembly seats, it remains a major opposition party that can use the problems, difficulties, and mistakes of the ruling party alliance to compete with it.

Based on partial voting statistics, the Pakistani Government announced on the 28th [of October] that the provincial assembly elections held on the 27th resulted in the IDA winning 242 of the 483 total assembly seats throughout the four provinces of the country. The PPP won a total of only 53 seats.

**Biodata on Li Peng, Wife, Children**

91P30054A Shanghai BAOKAN WENZHAI [PRESS DIGEST] in Chinese 13 Nov 90 p 1

[Article by Yang Jianye (2799 1696 2814), originally published in Hong Kong TZU CHING (BAUHINIA) No 3, 1990: "Li Peng and His Family"]

[Text] Mr. Yang Jianye [2799 1696 2814] wrote an article in the magazine TZU CHING [BAUHINIA], issue No. 3, introducing Mr. Li Peng and his family. Portions of the article are excerpted here.

Li Peng's family is from Sichuan; he was born in October 1928 in Shanghai and is now 62 years old.

Li Peng's father, Li Shixun [2621 4311 8113] (1903-1931), was from Qingfu County (now called Gao County) in Sichuan; he was an exceptional member of the Communist Party during its early period and a revolutionary activist. In the autumn of 1931 Li Shixun was sent to Hainan Island to support the guerrilla military committee, but unfortunately was captured en route by Kuomintang reactionaries and on the 16 September died a hero's death at age 28.

Li Peng's mother, Zhao Juntao [6392 0689 7118] (1902-1985), was from Xiyang County in Sichuan, and also was an outstanding Communist Party member. She served as representative to the Fourth and Fifth National Political Consultative Congresses and was a deputy director of the Beijing Institute of Chemical Engineering. Zhao Juntao died of illness in Beijing on 14 December 1985.

On 10 June 1958 Li Peng and Zhu Lin [4281 3829] were married in Beijing.

"Li Peng is in no way a male chauvinist," Zhu Lin often says with much satisfaction: "Both when he was an ordinary cadre and when he was minister and premier, whenever he had the time, he would help me with the work around the house."

Once, in her parlor at home, Zhu Lin, speaking in the Shanghai dialect told me, "Li is a very orderly, fastidious person. He is always cleaning and straightening up his room and his things, making sure they are all clean and

neat. Whenever I travel, he helps me pack and get my things together. In the government he is premier, in this house he is 'a model husband.'"

Zhu Lin was born in Shanghai in 1933, is 56 years old this year, and a member of the Communist Party. When he was still alive, Premier Zhou Enlai once praised her as being an able and virtuous revolutionary wife and mother.

She was born and raised in the home of a woman worker, suffering many difficulties in her childhood and early years. After liberation, she participated in land reform work in the eastern part of Sichuan Province; in 1951 she entered the Harbin Foreign Language Institute's Russian language department, graduating from there in 1955. She was assigned to the Jilin City Chemical Plant as a Russian language interpreter. Since her marriage to Li Peng, over the past 30 years, she has worked in the electric power and foreign affairs negotiations arenas in the northeast and in Beijing.

In 1984, because of work requirements, she was transferred from the North China Electric Power Bureau to the Daya Nuclear Power Station in Guangdong Province where she still works today. Today Zhu Lin is concurrently a director of the Guangdong Nuclear Power Joint Company and director of the company's Beijing office. At the same time, she is a member of the China People's Association for Friendship With Foreign Countries and of the China Women's Development Foundation.

Li Peng and Zhu Lin have two boys and one girl. The eldest son, Li Xiaopeng [2621 1420 7720] was born in 1959, is a member of the Communist Party, graduated from the Huabei Institute of Electrical Power in 1982, is now an engineer at the Ministry of Energy Resources' Institute of Electrical Power engaged in work in his field. Their daughter Li Xiaozhu [2621 1420 4281] was born in 1961. In 1989 she graduated with a masters degree in electrical engineering from Qinghua University. She is presently employed with the Beijing Electric Bureau as an engineer in her field of specialty.

The second son, Li Xiaoyong [2621 1420 0516] was born in 1963. He is a Communist Party member; at age 15 he entered the Army and presently holds the rank of major.

## FINANCE, BANKING

### Current Banking Practices Examined, Improvements Urged

91CE0013A Beijing ZHONGGUO JINGRONG  
[CHINA FINANCE] in Chinese No 9, 4 Sep 90  
pp 34-37

[Article by Jin Weihung (855 4850 5725): "Establish a Scientific Financial Macroeconomic Regulation and Control System"]

[Excerpts] In the wake of reform and opening up, banking is clearly playing a bigger role in regulating and controlling the economy. But there is a tendency to over-emphasize the role of banking and to be over-dependent on the banks to solve our economic problems. As a result, the bank's credit funds are being mistaken for public funds. This is a serious problem and should cause great concern. If we want to ensure the health and steady growth of the banking industry, gradually establish a scientific and effective macroeconomic control and regulatory system, and put the national economy on a benign cycle, it is very important that we promptly correct this tendency to equate banking with public finance and utilize the monetary measures correctly.

### Marked Tendency To Equate Banking With Public Finance

[passage omitted] Since the inception of economic reform in 1978, and in accordance with Comrade Deng Xiaoping's instruction to "operate banks like bona fide banks," both in terms of business and organization, China's banks have undergone rapid growth. We now have a banking system that is independent of the Financial Ministry, a system where People's Bank is the central bank, the four specialized banks—Industrial and Commercial Bank, Agricultural Bank, Bank of China, and People's Construction Bank—are the lead banks, and many financial institutions coexist and share the division of labor, changing the banks' old status as "the Financial Ministry's cashier." Banks are no longer "semi-banks." We can say that after more than a decade of reform, overall, China's banks and banking industry have taken a big step toward the goal of becoming "bona fide banks." But for some reason, in recent years, people have again become confused about the nature, functions, status, and role of banks in a planned commodity economy. The phenomenon and tendency to identify the banks with public finance have reappeared and have grown worse. We must take the matter seriously and be especially aware of the following situations:

Huge deficits have prompted the government to rely on bank overdrafts and bank loans which it can ill-afford to repay. In the last 10 years or so, China has had budget deficits every year, and the figures are startling. Calibration by international standards shows the real deficit to be running at approximately 16-17 billion yuan a year.

Besides issuing treasury bills, financial bonds, and so on, to remedy the deficits, one other solution has been to make bank overdrafts and take out bank loans. From 1979 to the end of 1989, a total of 68.5 billion yuan has been borrowed, and nothing has been paid back. Such long-term use of bank credit funds has affected the development of the banks' normal credit operation.

Banks are being held responsible for replenishing enterprise current funds. Normally, as production and operation continue to develop and expand, enterprises should constantly use a percentage of their profit for replenishing their current funds as a means to sustain normal production and operation. At the same time, the government should allocate a portion of the budgeted income to increase enterprise current funds in order to boost the country's productive accumulation. But, in reality, it is just the opposite. Since 1983 when banks took over the management of enterprise current funds from the state financial departments, most enterprises not only have not replenished their current funds as required, they have used up huge sums of their own current funds. Statistics show that current funds owned by state-run enterprises as a percentage of all current funds have plummeted from nearly 40 percent in 1983 to less than 20 percent in 1989. By the end of 1989, current funds owned by enterprises themselves have not only shown no increase, but have actually decreased by 1.4 billion yuan. If we take into account the increase in prices, what enterprises they now own is approximately 50 percent of what they owned in 1983. It is estimated that the government and enterprises have slowed the increase in current funds by nearly 80 billion yuan in the last five years. Currently, 80 percent of the funds belonging to industrial enterprises, more than 90 percent belonging to the commercial enterprises, and 98 percent of the current funds of the foreign trade enterprises needed to sustain production and operation are financed through bank loans. Enterprises basically are living off of the banks.

Enterprise price and loss subsidies, which should be allocated by the government, and capital construction fund deficiency, which should be remedied by the government and enterprises, are being advanced by the banks through loans. Currently, large sums of price and loss subsidies which should be allocated by the government have not been allocated, and enterprises are forced to take out bank loans to sustain production and operation. Incomplete data show that the grain, foreign trade, and coal enterprises alone have 40 billion yuan in loss subsidies on account but yet unpaid, and money is being advanced by the banks through loans. In addition, there is a 20 billion capital construction investment gap which must be filled by bank loans.

Basic banking principles are being violated when banks are forced to extend credit where credit should be withheld. Banks should extend credit in accordance with the state's industrial policy and comply with the basic credit principle of lending money only to the worthy and making sure that loans are repaid. Nowadays, however,

not only must the banks lend money in violation of the industrial policy, they must also lend money to money-losing enterprises as a kind of "relief," knowing that the debts will not be repaid.

In fact, some banks are directly paying the workers' wages with loan funds. As a result, large sums of overdue loans, defaulted accounts, and bad debts are being used by enterprises without compensation. In particular, amid today's economic problems and tight money situation, some departments, localities, and enterprises are simply demanding money from the banks. To them, bank funds are public funds: One is passing up good money if one does not ask for some, and everybody wants more money, but nobody wants to repay a loan. [passage omitted]

#### **Monetary Measures Should Not Be the Primary Means To Regulate and Control the Economy**

Under China's current system that integrates economic planning and market regulation, can we still "depend on the government for food and the banks for lodging"? Can we depend on monetary measures alone to regulate and control the economy? Of course not, because to do so will only exacerbate inflation and let the economy's deeper problems build up, and rather than solve the problems. We will never get the economy off the ground in this way. Thus, monetary measures should not be the primary means to regulate and control the economy.

First, banks have their inherent limitations. As financial intermediaries, banks lack the power to control or dominate the national economy. They have limited regulatory and control capability. First, banks have limited economic resources. They can lend out only as much money as they have. They cannot create money which must be backed by real goods. How much money the banks have is determined mainly by the amount of national income and by the distribution of that income. Bank funds are not limitless and inexhaustible. Second, banks do not own nor are they in absolute control of the use of the deposits. Whether the deposits belong to the government, enterprises, institutions, or individuals, banks do not have ownership right over the money, and the deposits can be withdrawn at any time. Third, banks are already operating beyond their means and will be mired in their own problems for some time to come. The credit deficit has been growing every year: The gap between loans and deposits has grown from 70 billion yuan in 1979 to more than 330 billion yuan in 1989. Both the scope and the amount of fixed asset investment loans and current fund loans are far in excess of what the banks can bear. Fourth, the banks' fund source and fund-use structure have changed, and banking has become more risky. This is demonstrated by the sustained decline in financial-type deposits and enterprise deposits as a percentage of all bank deposits in contrast to the sharp increase in personal deposits. Banks can no longer rely on funds accumulated by the state and by enterprises like they used to, and instead must turn to funds accumulated by individuals and issuing more

paper money, which make bank loans more risky. Meanwhile, the government's bank overdraft and other loans over the last few years have taken up a large chunk of the credit loan funds, and adding the appropriations and fund diversions by others, they have slowed the banks' fund turnover and have diminished their regulatory capability. For these reasons, we cannot expect that monetary measures alone can regulate and control effectively the structure, proportion, setup, growth rate, and efficiency of the national economy, even less count on them to play a decisive or lead role. Today, to allay the market slump and speed up the rate of industrial growth, the banks have adopted some lenient measures: In the fourth quarter of last year, they made available 125.8 billion yuan's worth of loan funds, and during the first six months of this year, they have lent out a record sum of money. At the same time, they have lowered the loan rate and have restored the method of settlement via bank with purchaser's acceptance. The truth is, the banks have put a sizable sum of funds into circulation, and the tight money supply situation has been eased somewhat. Although these measures have certain temporary effect on stimulating industrial production, neither production nor the market have recovered significantly, nor have they bounced back completely. This proves that monetary measures alone will not extricate us from our present predicament. The key lies in enlivening the market and readjusting the product-mix. More loans are not necessarily better.

Second, [relying on monetary measures alone] can lead to inflation. We have been overly dependent on the banks to develop the economy in recent years. When the economy is growing rapidly or at an abnormally high rate, we ask the banks to increase loan funds quickly—keep up with the growth rate by inflating credit. When economic growth slows or slips, we still ask the banks to provide more loan funds and ease the money supply. We have always taken increasing bank loans to be the primary means to regulate and control the economy. At the same time, people are treating bank credit funds like a bottomless well that will never run dry, or simply as public funds. They overlook the fact that bank credit funds are limited and their use must be compensated. Everybody wants to eat out of the banks' "big pot." Irresponsible, abnormal demand for funds is so prevalent and enormous that it exceeds by far the banks' supply of credit funds. This naturally causes the loan volume to expand and leads to inflated credit, forcing the banks to grant too many loans, which upsets their balance of revenue and expenditure. In the 11 years since 1979, the banks have lent out a total of 105.590 billion yuan. Loan money has been increasing at a rate of 19 percent a year. This has created a huge credit fund deficit, eventually forcing the banks to print more money than the economy can bear. It is estimated that by the end of 1989, the market has accumulated more than 60 billion yuan's worth of excess currency issued over the past years. Over-issuance of currency not only pushes

prices up, causes inflation, and undermines long-term, steady economic growth but also undermines social stability.

Third, [monetary measures alone] will not put the economy on a benign cycle. The national economy is a process of circulation of goods and materials and a process of creating and utilizing national income. Both the identification of banks with public finance and the over-issuance of paper money can ruin those processes and can cause the national economy to be trapped in a less-than-benign cycle. Yet, making monetary measures the primary economic regulatory and control measures is bound to turn credit funds into public funds. On the one hand, public finance can "eat out of the banks' big pot": From budget deficits to enterprise subsidies which should have been allocated by the government, everything is paid by the banks with credit funds. These payments take up bank funds on a long-term basis. On the other hand, enterprise development, production, and expansion are also dependent on bank loans. Enterprises are not capable of accumulating funds on their own, promoting their own growth, regulating themselves, or assuming risks on their own. Moreover, many enterprises basically know nothing about economic efficiency when utilizing borrowed funds; most do not even consider repaying the loans. Consequently, the number of past-due loans and bad debts is increasing; most loans are "dead-ended money." The situation where the government is dependent on the banks' "relief fund" and enterprises are dependent on the banks' "blood transfusion" does not help develop and expand enterprises' ability to "make new blood," nor does it trigger enterprises' internal motive force to develop their productive capacity. If enterprise production fails to get off the ground and enterprises fail to improve efficiency, they will not generate more state revenues, the growing deficit cannot be stopped, and pressure on the banks to increase loans and to print more money will naturally mount. Thus, we have a ridiculous circle where over-issuance of currency leads to higher prices, which pushes enterprise cost up and profit down, which reduces government revenues, which tightens the fund supply and in turn leads to more currency issuance. As a result, the national economy can never get on the track of a benign cycle.

#### A Choice of Countermeasures and Solutions

[passage omitted] It is an undeniable fact that the current fund shortage problem in China is very serious, and it will remain a problem for some time. This is not only because of the huge gap in fund supply but, more important, because enterprise economic efficiency is low, enterprises are losing more money than before, the budget deficit cannot be reduced in the short-run, the economic structure is unbalanced, the economy is disproportionate, and the economic system has not been smoothed out. They make up the deeper problems that are blocking the development of enterprise productive capacity. Thus, to ease the fund situation and cure our over-dependence on monetary measures to regulate and control the economy, and to correct the tendency to turn

banking into public finance, the basic solution is to speed up the development of society's productive capacity and accelerate the reform of the economic management system, especially the fund supply system, instead of bouncing the ball between the government and the banks and wrangling back and forth. Starting out with today's realistic conditions, we should at least address the following:

1. We must control tightly the scale of fixed asset investment. Over the last few years, the scale of fixed asset investment has gone out of control and has exceeded the state's financial limits. This is one of the main causes of today's fund shortage, and it is also a "source" of our troubles. In view of the acute shortage of current funds, we must continue to control tightly the scope of fixed asset investment. Meanwhile, we should improve the fixed asset investment plans and include in those plans the necessary base funds and other essential current funds and make sure that those funds are available. With respect to the investment structure, we should give preference to technological transformation and emphasize intensive expanded reproduction.

2. We must vigorously readjust the product-mix to curb the irresponsible use of funds and reduce defaults. One of the main reasons for today's acute fund shortage is the market slump and the blocked circulation. Statistics show that no less than 100 billion yuan is tied up in the huge product overstock and the resulting "triangle of debts." Thus, to thaw out the market and enliven circulation, it is imperative that we improve product sales. In particular, we need to unclog the circulation channels between town and country and send more industrial goods to the rural areas. Concurrently, we should implement price reform in a timely fashion and ease the restrictions on price reductions so as to promote sales. To prevent a new round of, and even more, overstocking of products and defaulting on payments for goods, we must readjust the product-mix. Only if the products are of good quality and reasonably priced, only if they are what the people want to buy, can we reverse the market slump and reduce the improper use of funds. Efforts to readjust the product-mix deserve special support and help in terms of bank loans, pricing policy, and scope of technological transformation.

3. We should set up a strict enterprise current fund self-replenishment system. Chongqing and other cities now require enterprises to spend 15 percent of their retained profit on replenishing their current funds. The system has been very successful, and if Chongqing can do it, other localities can do it too. Setting up a strict, national enterprise current fund self-replenishment system is imperative under the circumstances. It not only will ease the fund shortage problem but, more important, it will give enterprises energy to grow on their own and enhance their ability to cope with market changes, which in turn will enable them to generate new funds. This is where the solution and hope for the future lie. Meanwhile, the state's financial departments should be reformed

as managers of enterprise current funds. This will meet more of the objective needs of the current economic system.

4. We should strive to reduce and eliminate the deficit. The budget deficit and problem are a critical part of the fund shortage. Not only are enterprises unable to obtain more supplementary funds but price and loss subsidies which should be allocated by the government have not been allocated in time and in full. The key to solving the financial deficit problem lies in reforming the existing, poorly-structured financial contract system. At the same time, we must do a better job with tax collection and management to reduce "escaping, evaporation, leaking, and disappearing [of state revenue and funds]." We should reduce nonproductive expenses, spend more of enterprises' current funds on production-oriented items, do our best to keep within the budget, and minimize and eventually eliminate the deficit.

5. The issuance of currency must be put under tight control. Like budget deficits, over-issuance of currency is another way of over-allocating the national income, which is a major cause of the fund shortage. In order words, if currency issuance is kept to within what the economy can bear, it can play an important role in preventing the over-allocation of the national income and narrowing the fund supply-demand gap. If we pin our hopes on the banks' printing more paper money to remedy the fund shortage and ease the supply-demand conflict, we will be making a big mistake, because it will only exacerbate inflation and in turn aggravate the fund shortage. The key to controlling currency issuance lies in controlling the amount of loan funds. If banks lend out more money than has been deposited, they will be forced to print more money. Therefore, it is crucial that the overall loan scale be limited, and meanwhile, banks should regulate their credit funds promptly and properly. In particular, they must tap into the existing 1.3 trillion yuan's worth of loan funds. Even if only only percent of that sum is enlivened, it would mean 13 billion yuan. This not only will help control the total money supply but will also ease the fund shortage problem by enlivening the credit funds. Thus, the banks should work hard, focus their attention, and concentrate their efforts on regulating the credit funds with skill and on readjusting the credit fund structure.

In short, it is not that banks do not have their share of macroeconomic control and regulation responsibilities and need not grant necessary, policy-oriented loans. Rather, we must have a correct understanding of the banks' role, put banks in their proper place in the national economy, and correct the tendency of equating banks with public finance. We must not equate credit funds, the use of which must be compensated, with public funds that are free. We must utilize monetary measures to regulate the economy properly and uphold the principle of maintaining credit balance and demanding compensation for the use of credit funds in order to ensure currency and financial stability, and in turn promote steady economic growth, creating a good

financial environment and better conditions for the economy. If banks should collapse and the banking system is in trouble, the other economic components will not survive, and the national economy will not thrive. In view of the current conditions, it will continue to be mired in problems. Practice tells us that in making economic adjustments, we must pay attention to the role of banks and banking, but more important, we must pay attention to giving play to various economic measures and economic levers, including planning, finance, taxation, and prices, and use their combined resultant force to achieve the intended goal.

### Financial Operation Issues, Solutions

91CE0138A Beijing ZHONGGUO TONGJI XINXI  
BAO [CHINA STATISTICAL INFORMATION NEWS]  
in Chinese 22 Oct 90 p 2

[Article by Tong Yan (4547 3601): "Current Problems Confronting Financial Operations and Their Solutions"]

[Text] Even though the Chinese economy has already passed through a most difficult period, the many layers of contradictions that have built up in the national economy over the past several years still remain, and the birth pangs of reform and readjustment have induced and interwoven new problems, increasing the difficulty of the present financial adjustment and control. Coupled with the latent crisis in financial operations in the first half of the year, the economic and financial situation is causing concern. The prevalent problems in current financial operations are manifested in:

1. Shortage of funds. First, funds are required to sustain the rate of industrial growth; second, funds are required to guarantee fourth quarter payments; third, funds are required to support adjustments in the economic structure; and fourth, funds are required to keep various types of enterprises in existence. In both production and development, neither readjustment nor reform can get along without the infusion of funds. Because a large amount of credit funds were released in advance in the first half of the year, the total amount of credit is limited; the second half of the year will be the peak period for loans to come due, and the pressure is great if we want to balance the annual state credit revenue and expenditures. With the unchanged dual policy of tight finances and tight money, the contradiction of a tight money market and a shortage of funds is acute, and monetary policy remains in flux.

2. Poor results. Despite the input of a large amount of funds to support the slow revival of the rate of industrial production, the market slump has made it difficult to achieve sales in the end and the economy of the entire society is in a grim situation. According to statistics from 40,000 industrial exchange enterprises, during the first half of the year, finished product funds made up as much as 67.6 percent of additional new loans. Because of the slide in enterprise production and the decline in returns in the first half of the year, financial expenditures were

1.098 billion yuan greater than revenues, giving rise to "red ink" in the first half of the year not encountered in a number of years. In the finance industry, because interest rates were frequently adjusted downward and the policy on granting loans, the difference in interest rates between savings and lending interest narrowed, sometimes to the point of causing banks to lose money, while overdue and idle loans increased, causing a great deal of sluggishness in credit funds, a slowdown in the circulation of funds, and a heavier operational burden.

3. Operational exhaustion. Objectively, because of the downturn in the social economy and the unsatisfactory financial situation, to alleviate the temporary difficulties encountered during the period of improvement and rectification, the fiscal functions of the banks have become increasingly important. This is revealed in the loans that the Ministry of Finance takes from banks or its making overdrafts to fund the deficit. Banks are compelled to purchase state bonds, then enterprises make up for the debt appropriation of the Ministry of Finance for bank loans or pay tax interest and provide wages. A large amount of credit funds are converted to finance funds and consumption funds. Subjectively, fiscal adjustment and control are still far from ideal. Since reform, policy led us in the early stages to one-sidedly pursue effective supply, and in the later stages to emphasize enlivening circulation. Moreover, using credit of scale with separate management of funds often creates mutual dislocation. When banking functions are not independent and operations are not altogether ideal, the credit and monetary policy cannot function very well as a national macroeconomic control.

4. Chaotic credit. When the structure of the national economy is not functioning properly, tightening up on the money market leads to tight funds throughout society and economic decentralization, relinquishment of profits develops into local protectionism and departmental selfishness, making the economic legal system more unsound; and commercial credit is weak and restricted, leading to "triangular debt" and chaotic functioning of the economy. With tight money it is still very difficult to achieve true and proper creditor-debtor relations and normal functioning of the social economy.

The present economic situation reveals that despite the fact that the national economy continues to move in a good direction, the overall national economy still has not truly entered a favorable cycle and still faces a great many problems. To consolidate and expand the achievements of improvement and rectification, in the present financial operations we should concentrate on stimulating the sales market, adjusting the industrial structure, and improving economic results and strive to promote appropriate growth of the national economy.

1. Persist in controlling the total volume with adjustments at the appropriate time. Whether to tighten the money market to get over a difficult period or to relax credit to stimulate production has become a very important macroeconomic decision. This year bank loans

increased more than at any time in history. But, on the other hand, funds remain tight throughout society, economic results are declining, and the structural imbalance is exacerbated. This clearly reveals that there are deep contradictions in our economic life. Resolving the present economic problems simply by relying on credit stimulation is already beyond the realm of possibility. The emphasis on macroeconomic controls should be shifted to smoothing economic relations, perfecting the industrial structure, and adjusting the operation of the economy. The Central Bank should persist in its tight money policy and eliminate the hidden peril impelling economic expansion from the monetary policy, increase control over funding operations, do a good job of coordinating the scale and the overall relationship of funds, do a good job of statistical monitoring, improve quantitative analysis, get a good handle on reducing the volume, and avoid economic "stagflation."

2. Enthusiastically clear the way for circulation and enliven the overall market. The market is the bridge linking production and consumption and an essential element in social reproduction. A prominent problem in economic activity at present is that it is difficult to achieve sales at the end of the cycle. This leads to enterprises having expanded stocks obstructing production and bringing operations to a standstill. With the recent difficulty in adjusting the industrial structure, in order to achieve final sales to eliminate obstructions to production, the finance industry has opted for the following: 1) while strictly controlling the scale of credit, appropriately increasing investment in productive capital construction projects and windup projects to promote the development of the corresponding trades; 2) proceeding with intensive improvement in the rate of production, increasing investment in updating technology, improving enterprises' ability to meet emergencies, promoting the development and improving the quality of new products, and increasing the output of goods in short supply as quickly as possible; 3) guaranteeing funds for the purchase of agricultural by-products and improving the immediate buying power of the peasants to create the conditions for exploiting the rural market; 4) experimenting with savings for housing and loans for top grade durable goods to expand the scope of immediate consumption; 5) while strictly controlling the inflation of the price index, adopting an appropriately relaxed policy toward some products and permitting the price of products in great demand to rise and that of unmarketable products to fall to properly stimulate consumption.

3. Perfect the disposition of funds and adjust the economic structure. Banks should perfect the disposition of funds on the basis of the state industrial development policy; when funds are accumulating, stress dumping, and when funds are circulating, implement the principle of "survival of the fittest," and ensure with the funds that the state industrial policy is gradually carried out.

4. Maintain the proper economic growth and obtain a clear understanding of the beneficial use of funds. To

extricate itself as quickly as possible from economic straits, the whole society should concentrate greatly on improving economic results. Banks should pay close attention to appraising their fixed and credit assets, supervise and urge enterprises and relevant departments to reduce and recall overdue loans, speed up the turnover of funds, and improve the beneficial use of funds.

### Development of Stock Market Deemed Necessary

91CE0106B Beijing JINRONG SHIBAO in Chinese  
23 Oct 90 p 3

[Article by Pan Fangsheng (3382 2455 5110) and Hu Xiangming (7579 0686 2494): "To Deepen the Reforms, It Is Necessary to Nurture and Develop the Stock Market—Summary of a Seminar on the Development of the Stock Market in Some Provinces and Cities"]

[Text] At present, in the new situation with the deepening of the reform of China's economic and financial systems, the growing demand of the state and enterprises for capital, the pressing need to readjust the industrial structure, and the increasing consciousness of the masses about financial and investment matters, an upsurge in the development of the stock market is just beginning. It has given us reasons to rethink our concepts, theories, management system, and operational ways. It is necessary theoretically and in practice for us to consider such questions as how to seize the present opportunity to nurture and develop the stock market with Chinese characteristics, how the stock market should serve today's economic construction, and the development strategy and role of the stock market under the new situation. Recently more than 30 responsible persons and specialists of security companies and institutions from Shanghai, Fujian, Beijing, Tianjin, Wuhan, Liaoning, Hunan, and other provinces and cities gathered in Hangzhou, and they fully expressed their opinions on the question of nurturing and developing China's stock market.

The participants noted that the stock market, an important component of the financial market, has developed rapidly as a new force in recent years and is becoming increasingly the focus of attention. All indications show that a new situation of great development of China's stock market has arrived.

First, the stock market is already quite sizable in numbers. Negotiable securities nationwide now total 157.4 billion yuan. Since the beginning of this year, the issuing market has grown vigorously. Bond issues by Shanghai enterprises have increased rapidly. The Shanghai Petrochemical Complex alone has floated 350 million yuan in bonds. The additional issue of 2.5 billion yuan in 1990 treasury bonds approved by the State Council were sold out instantly throughout the country. The successful issuance of large amounts of negotiable securities is the precondition for a prosperous and active stock market. In the present situation, the market conditions are very good for the issuing of negotiable securities. The stock

market's fund-raising capacity is beyond compare by any single bank. The enterprises should skillfully use the stock market as a fund-raising tool in their service. If all the enterprises know how to use securities to raise funds, the stock market will grow even more rapidly in scale, and a benign cycle will be formed to keep absorbing the idle capital in society and putting it into production.

Second, as a long-term capital investment, stocks have gained popularity in all social classes and strata. People have become much more knowledgeable about stocks. Many people no longer regard stocks as another form of savings, and their interest has turned to capital gain derived from stock price changes. At the same time, they have also become aware of the risks. The spiraling stock prices in Shenzhen, Shanghai, and other places indicate that some people have large amounts of cash urgently in need of investment channels, and that many people, no longer satisfied with passively earning interest from savings, want to independently choose investment opportunities for the greatest possible gain. Therefore, now is an excellent opportunity to vigorously promote the system of limited-liability companies, creating a self-restraining and innovative mechanism for enterprises and a golden opportunity to develop the stock market. If we can seize this opportunity to create large amounts of shares, or capital stocks, it will help our stock market to evolve from the stage of dealing mainly in the issuance, sale, and purchase of state and enterprise bonds to the stage of dealing mainly in the issuance, sale, and purchase of capital stocks.

Third, after the past few years of breeding and nurturing, the securities institutions have grown dramatically. At present, in China there are 34 specialized securities companies, several hundred trust companies dealing in securities as a sideline, and several thousand small over-the-counter dealers. The development of these securities institutions amid fierce market competition has already produced a great impact on society and the reforms. The specialists held that the existing organizational foundation has provided the necessary conditions for the rapid development of the securities trade, and that relevant policies and laws should be formulated to help the development of the securities institutions.

Fourth, the Shanghai Stock Exchange, now in preparation, will open for business before the end of the year. It marks a major development and a new level achieved by China's securities business in trading techniques and methods. The state should adopt policies to encourage the diversification of personal financial assets and steadily develop the financial market. Stock exchanges should be established in large- and medium-sized cities. At the same time, it is necessary to develop an automatic quoting system for the curbstone market. Flexible and standardized trading rules and operational procedures should be established for the stock exchanges as well as the curbstone market. The specialists maintained that it is imperative to make the Shanghai Stock Exchange a success and, on this basis, bring the securities trade of the entire country up to a new level.

The participants held that the stock exchange is the most normal, standardized, and efficient form of stock market. Only in the process of the competitive bidding at the stock exchange can the principle of equity, fairness, and openness be guaranteed in securities trading, which is essential for the rational distribution of social capital as a production factor. They also analyzed the policies and laws essential for the development of the securities trade and strongly called for the early enactment of the "securities law," "securities trading law," "stock exchange law," "company law," and other important laws and documents. The specialists held that there are very mature laws and regulations and management procedures concerning securities in the developed countries, which we can refer to and improve on in order to develop a set of our own securities laws, more scientific and more suited to China's conditions. Shanghai has led the way in formulating some local laws and regulations for the securities trade to follow, but these laws and regulations are still inadequate.

The participants also exchanged views on the formation of a unified nationwide market. They held that the securities market is an advanced form of market and must not be divided. Otherwise, it will become lifeless. At present, some localities are trying to divide the market by administrative means, which is actually an indication of extreme narrow-mindedness. Securities institutions throughout the country should strengthen contacts, develop substantive cooperation, and have the courage to break certain local rules and regulations and all kinds of prohibitions. To form a national market, it is necessary not only to develop transregional transfers and trades, but also to allow transregional issuances. Some of the specialists at the meeting also called for positive efforts at present to improve and expand the experiments on the share system. They held that serious efforts should be made to organize and implement the share system in an active and steady manner.

### Shanghai's Booming Financial Businesses

91CE0106A Beijing JINRONG SHIBAO in Chinese  
25 Oct 90 p 1

[Article by XINHUA reporter Wang Hongyang (3076 3163 3152): "Shanghai's Financial Business Enters Golden Age"]

[Text] The "cuddling pairs of lovers on the river bank," a wonderful sight on the Bund of Shanghai, is being upstaged by the spectacular swarms of Chinese and foreign merchants who have come to the city.

At 9 a.m. everyday, while the chimes of the big clock on the Customs House are still ringing in the air, customers of different shades and colors of skin swarm into the Shanghai Branch of the Bank of China facing the Huangpujiang River. At the same time, the Industrial and Commercial Bank starts up its computer network which covers 70 percent of Shanghai's enterprises, and the Bank of Communications begins to issue instructions to

branches at home and abroad. Across the river are the newly opened Pudong branches of the Agricultural Bank and the Construction Bank. At one end of the Waibaidu Bridge, China's first stock market will be officially opened for business before the end of the year.

All these facts indicate that Shanghai's financial business, which has a history of 100 years, is now entering a golden age, the most spectacular since the founding of the People's Republic.

In the past 41 years, the operational scale of Shanghai's financial business has expanded hundreds of times, and the amounts of money involved are beyond comparison with those in the early days after liberation. From 1980 to the present, the financial circles have provided more than 40 billion yuan for Shanghai's economic construction, about one-third of the total amount invested by the city during the same period. The mighty power of Shanghai's financial business is symbolized prominently by its success in "feeding" the Baoshan iron and steel complex, the Jinshan petrochemical plant, the Volkswagen auto plant, the McDonnell Douglas aircraft plant, and other large enterprises. Because the financial "appetite" of these industrial giants alone is far greater than that of Shanghai as a whole 41 years ago.

The enormous financial lever also quietly regulates the weight of every "food basket" and the change in each garret. In the past five years, loans extended by Shanghai's financial circles to urban housing, agriculture and sideline production, and scientific and technological projects have doubled and redoubled. The blood vessels of banks, long confined to the state industrial and commercial circles, are now extending quickly in unprecedented width and depth into capital construction, cultural, educational, public health, scientific and technological development, foreign economic relations and trade, and many other fields with different ownership systems. More and more financial information is pouring into the city's top-level policy-making bodies and beginning to play a part in the regulation and control of the operation of Shanghai's mammoth economic machine. This financial situation is having a clear influence on the changes in Shanghai's investment pattern and industrial structure. Since 1978, the proportion of the tertiary industry, which is led by the financial trade, in Shanghai's gross national product has increased from 18 percent to about 30 percent.

An even more profound change is the revival of the financial sense among Shanghai's 12 million people. Now at least one out of ten residents owns treasury bonds, debentures, accommodation bills, or other securities. Even old ladies who are totally illiterate know how to compare different interest rates and price indexes. Each day tens of thousands of people make deals at more than 50 unprecedentedly active stock exchange places. According to a survey by the Urban Social and Economic Survey Team, the number of viewers to the Shanghai Television Station's daily 9 p.m. stock prices broadcast is now four times that a year ago. Since July this year, the

Shanghai XINWEN BAO, with more than 100,000 readers, has devoted a full page to publish a special periodical, "The Stock Market."

In the past decade, securities, trust, insurance, leases, and other flowers of financial reform, have blossomed in Shanghai. The revival of China's largest financial center has become the focus of world attention. In the past few years, several hundred seminars and training classes have been held in Shanghai by international financial institutions and societies, and nearly 40 foreign banks and financial institutions have set up offices here. A huge combined capital market, with an annual business volume of nearly 80 billion yuan in loans, several billion yuan in securities trading, and nearly \$1.3 billion in foreign exchange regulation, has risen in Shanghai and is beginning to step into the world.

### **Increase in Rural Bank Savings Deposits Reported**

HK1812071390 Beijing RENMIN RIBAO in Chinese  
9 Dec 90 p 2

["China's Rural Bank Savings Deposits Exceed 300 Billion Yuan"]

[Text] Beijing, 8 Dec (RENMIN RIBAO)—China Agricultural Bank President Ma Yongwei announced here today that, by the end of November, the country's rural bank savings deposits had reached 302.4 billion yuan, an increase of 76.9 billion yuan over the beginning of this year, and 30.1 billion yuan over the same period last year.

Ma Yongwei said: The rural bank savings deposits increase is mainly attributable to the following: First, with market prices under control, the masses' consumption psychology is relatively stable; second, the state's policy of slanting control on agriculture, the increased input into agriculture, and the overall agriculture harvest have brought about a continuous increase in peasants' income; and third, agricultural banks and credit cooperatives at all levels have taken great efforts to set up new savings deposit networks and stations, provide various kinds of saving deposits, and vigorously launch campaigns to offer high-quality service to enable depositors to put more money in the bank. The big increase in rural bank savings deposits has augmented the fund strength of agricultural banks and credit cooperatives, and rendered strong support to peasants in their efforts to strive for high yields in agricultural production. According to statistics, by the end of November, the balance of various loans granted by agricultural banks and credit cooperatives had amounted to 504.2 billion, an increase of 92.7 billion over the beginning of this year. This year is a year with the largest increase largest input in history, during which agricultural loans increased by 27.9 billion yuan while purchasing loans for agricultural and sideline products by 31.9 billion yuan.

### **Bank Grants Loan for State Projects**

HK1012042490 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 10 Dec 90 p 3

[By staff reporter Yu An]

[Text] China's biggest savings bank announced last weekend it had provided loans totalling 9.6 billion yuan (\$1.8 billion) to the country's technical innovation programme between January and October.

An official with the Industrial and Commercial Bank of China said the loans had been focused on supporting key projects and adjusting product mix.

The loans had achieved "substantial results" and helped industrial enterprises to recover from declining production which had started late last year, the official claimed.

About 7 billion yuan (\$1.3 billion), or 72 percent of the total, had gone to large and medium-sized projects, the official said, adding that 1990 was the final year of the Seventh Five-Year Plan (1986-90) and many projects were nearing completion, needing large sums of money.

Of the 9.6-billion-yuan total, some 2.2 billion yuan (\$422 million) had been provided to help enterprises clear outstanding debts, and more than 3 billion yuan (\$577 million) had been for enterprises to change their product mix and turn out new, marketable goods, said the official, who declined to be identified.

The injection of the 7 billion yuan, the official said, had been simply to tide over the shortages of cash flow existing in key projects and to guarantee their scheduled completion.

And a 12.7-million-yuan (\$2.4 million) loan had helped the Yangtze Shipping Corporation to boost its output value by 48.2 percent over the same period last year, the official said.

The 2.2-billion-yuan loan for clearing debts had helped to restart 1,722 projects which had stopped or had been in financial difficulties because of debts owing to them by other firms.

The battle against a sluggish market meant manufacturers had to make new, marketable products. That, the official said, was the aim of the bank's 3.3 billion yuan in loans to help 1,854 factories change their product mix.

The loan had helped 385 of the factories to manufacture some 600 new products with an annual output value of 1.9 billion yuan (\$367 million), he said.

### **Bank of China, French Banks Sign Accord on Export Credit**

OW1912202290 Beijing XINHUA in English  
1606 GMT 19 Dec 90

[Text] Paris, December 19 (XINHUA)—Bank of China and 20 French banks recently signed an accord to

postpone a general agreement of 30 billion franc (about six billion U.S. dollars) export credit, according to the Chinese XINHUA Paris bureau today.

The accord, demanded by the Bank of China, will extend the scheduled time limit on the general agreement of export credit, which was signed in 1986 and was to expire this month.

According to the accord, the agreement will last up until 1995.

## MINERAL RESOURCES

### Undersea Uranium Mining Advances

91CE0093B Shanghai WEN HUI BAO in Chinese  
6 Oct 90 p 1

[Article by WEN HUI BAO staff reporter Zhang Ziqiang (1728 5361 1730): "China's Research in Undersea Uranium Mining Is Among the Most Advanced in the World: China's First Applied Surface Chemistry Research Institute Formed in Shanghai To Develop Further Research"]

[Text] The Ocean Resources Chemical Research Office of East China Normal University has supported research on undersea uranium mining for 30 years, achieving results on a par with the most advanced in the world. On 5 October 1990, this office collaborated with the Dong Hai Intelligent Applications Technical Research Institute to form the nation's first applied surface chemistry research institute. This institute will launch further research efforts into undersea uranium mining and other subjects.

Undersea uranium mining has always been considered a sophisticated, difficult problem. The Ocean Resources Chemical Research Office of East China Normal University has been engaged in research on this problem since the 1960's. By the beginning of the 1970's it was able to extract 50-60 g [grams] of uranium per year from undersea mining projects—a feat it achieved seven years before the Japanese, and for which it received high praise from Zhou Enlai and Deng Xiaoping. Later, further Chinese achievements raised the quantity of uranium mined to 1 kg [kilogram] per year. In recent years further study into undersea uranium mining mechanisms has produced breakthroughs in ways to increase the extraction rate even further. At the same time we have made new gains in efforts to improve adsorption technology and the uranium-adsorption capacity of adsorbents. We can obtain the maximum energy gain using the minimum energy expenditure. Frequent open-ocean trials have, through painstaking efforts, made China one of the world's most advanced nations in terms of research into adsorbent compounds and the mechanisms of undersea uranium mining.

## INDUSTRY

### Building Materials Industry To Export Technology, Equipment

91CE0111A Hong Kong CHING CHI TAO PAO  
[ECONOMIC REPORTER] in Chinese No 38-39,  
1 Oct 90 pp 29-30

[Article by Chin Po (6855 1591): "China's Building Materials Industry Must Expand Foreign Cooperation—A Conversation with Zhang Renwei, Deputy Director of the State Administration of Building Materials Industry"]

[Text] China's building materials industry has developed rapidly during the last 10 years of reform and opening up, and has now become an indispensable basic industry within China's national economy. Information from the State Administration of Building Materials Industry indicates that China has invested more than \$2 billion in the last 10 years to import advanced building material technologies and equipment, and has built a number of large, modern building materials enterprises. Each of the three major building materials industries—building materials, nonmetallic minerals and finished products, and inorganic, nonmetallic new materials—is represented. These enterprises today produce more than 1,400 different products, and their gross annual output is 54 billion renminbi.

In a briefing held by the State Administration of Building Materials Industry, vice director Zhang Renwei [1728 0086 3634] informed visitors that in recent years, the most significant successes of the building materials industry were primarily in four areas: 1) China's output of cement and plate glass is the highest in the world. 2) Production of various types of decorative building materials has developed rapidly. There is no longer a need to import any building materials for hotels with three or fewer stars. Over 95 percent of the building materials used for the Asian Games facilities was produced in China, and the quality of some products has reached international standards. 3) The level of China's science and technology has risen continually. On its own, China has designed and built a new type of dry cement production process that produces 2,000 tons daily, a float glass process with a melting capacity of 500 tons per day, as well as technologies and equipment for construction sanitary ware and nonmetallic minerals. Not only can China meet its own demand, but it can also export these materials in large volume. 4) Foreign-invested enterprises [FIE's] have been well run. There are now more than 50 FIE's producing under the jurisdiction of the State Administration of Building Materials Industry. Foreigners have invested a total of over \$500 million in these enterprises, and all have yielded very good economic benefits. Shanghai's Yaohua-Pilkington Glass Corporation exported 62 percent of all its products last year, earning \$38 million in foreign exchange—the number one earner of foreign exchange in the country—and was named one of the 10 best FIE's in the nation.

However, from an industry-wide perspective, the internal structure of the building materials industry is still not very rational. China's production technology still lags far behind the international level. Zhang Renwei feels that China's building materials industry faces three major tasks in the next 10 years:

1. We must work hard on energy conservation. We must organize a comprehensive project to conserve energy in the building materials industry, and use advanced technology to upgrade old enterprises, develop new products, and improve management.

2. We must increase the effective supply of building materials. In particular, we need to expand the production capacity for high quality cement. During the Eighth Five-Year Plan, China will build factories for cement and new building materials along the coast and the Yangtze River. In this manner we will be able to satisfy demand among inland provinces, and will meet coastal and export needs as well. We must also adjust the technology, product, and scale structures correspondingly, so that the building materials industry will develop in a sustained, stable, and coordinated manner.

3. We must expand exports of building material products as well as technologies and equipment, and we must earn more foreign exchange. Last year, exports by China's building materials industry earned \$1 billion in foreign exchange, and we hope that this figure will double in the next ten years. In order to achieve this, we must build 13 export bases for nonmetallic minerals, and we must expand exports of such building materials as cement and glass.

Zhang Renwei stated that, in order to achieve these objectives, we must further expand economic and technological cooperation with other countries, and continue bringing in funds, technology, and management experience from abroad and from Hong Kong, Macao, and Taiwan. Recently the State Administration of Building Materials Industry has introduced a number of projects for economic and technological cooperation suited to China's industrial policy and industrial plan. The bureau has also introduced an initiative for exporting technologies and equipment, and is searching widely for cooperation partners.

China's building materials industry is in an excellent position to expand foreign economic and technological cooperation: 1) China has rich resources with which to produce building materials. In particular, it is very rich in nonmetallic mineral resources. The country's proven reserves of limestone, gypsum, and talc are among the largest in the world. 2) China has rich labor resources. 3) China has a significant material and technological base. 4) China has a powerful corps of scientific and technical personnel specializing in building materials. 5) There is a vast domestic and international market for building materials. Domestic demand for cement will exceed 300 billion tons by the year 2000, and demand for plate glass will reach 120 to 140 million cases. There will also be

relatively large increases in demand for construction sanitary ware, new building materials, nonmetallic minerals and products made from them, and inorganic nonmetallic new materials.

In addition, in order to strengthen foreign economic and technological cooperation, the state has formulated a series of programs, policies, laws, and regulations. The building materials industry has been targeted by state industrial policy and by the plan for foreign exchange utilization to receive priority support. For this reason, Zhang Renwei is very optimistic about the future of foreign cooperation in the building materials industry.

## SMALL-SCALE ENTERPRISES

### Eastern Township Enterprises Enjoy Brisk Exports

91CE0129A Shanghai JIEFANG RIBAO in Chinese  
18 Oct 90 p 8

[Article by Huang Shouhong (7806 1343 1347): "Exports of Township Enterprises in Eastern China Are Brisk"]

[Text] Experts suggest that all township and town enterprises that can earn foreign exchange should be treated the same as state-owned enterprises. Their demands for energy, capital, and raw materials should be put into the national plan as much as possible, and should be guaranteed top priority. All retained foreign exchange should be distributed to enterprises, and any blockage of funds in the middle must be stopped.

Foreign exchange earnings of township and town enterprises in eastern China have grown rapidly in recent years. From 1986 to 1989, the amount of foreign exchange earned by township and town enterprises increased by 65 percent a year. Township and town enterprises gave full play to their superiorities in their own flexible business mechanisms and low labor costs. By combining industry and trade, "the three forms of import processing and compensation trade," and various other forms of cooperation, such as joint ventures with foreign investors, township and town enterprises have taken an active part in international competition and exchange. They have become a new force to increase China's exports and foreign exchange earnings, and to bring an export-oriented economy fully into play. Presently in eastern China, there are about 35,000 township and town enterprises, employing nearly 3 million employees, that can earn foreign exchange. From 1984 to 1989, township and town enterprises accumulated a total of 20 billion US dollars in foreign exchange earnings for the state. In 1989, foreign trade purchases from township and town enterprises in eastern China amounted to 22.9 billion yuan, accounting for 30 percent of all foreign trade purchases in eastern China. In Jiangsu Province, foreign trade purchases from township and town enterprises accounted for 46 percent of all foreign trade purchases in the province, and in Zhejiang Province they accounted for 41 percent.

Township and town enterprises in eastern China constantly adjust their industrial structures, going in the direction of the international market, making science and technology the guide, and focusing on technological transformation. They constantly improve the structure and quality of their export products. Township and town enterprises have gradually shifted from exporting mainly primary material products to exporting semi-finished and finished products; from processing mainly semi-finished, low-grade, and simple products to producing medium- and high-grade products; and from using simple work procedures and technologies to using medium- and high-level technologies. On this basis, township and town enterprises in eastern China have formed a number of enterprise groups that earn foreign exchange. Examples are Shanghai's Chuansha Silk and Embroidery Group and Fujian's Putian Shoe Group, which have formed enterprise groups or specialized groups. At present, township and town enterprises have expanded their exports to 10 categories, which include thousands of products. The 10 categories include chemicals, machines and electronics, minerals, foods, special local products, livestock products, textiles, clothing, and handicrafts. Many products produced by township and town enterprises occupy decisive positions in the exports of such products by the whole country.

But some of the problems that township and town enterprises still have with expanding exports and increasing foreign exchange earnings are worth noticing.

—Current policies are still imperfect. In some places, township and town enterprises are not treated the same as state-owned enterprises, and some discriminatory policies exist. For example, township and town enterprises that can earn foreign exchange lack stable supplies of energy, raw materials, and capital. The regulation of the national market cannot be ensured effectively and technological innovations in township and town enterprises have not been put into the national plans as have those in state-owned enterprises. Township and town enterprises do not have the ability to repay loans before paying taxes. In other places, some policies made by the state which give preference to township and town enterprises have not been implemented. Some township and town enterprises cannot obtain their retained foreign exchange. Even if they have obtained some, they still do not have the right to use it independently.

—The current foreign trade system is not rational, and industry and trade are not aligned. Because foreign exchange costs, transactions prices, and foreign customers of foreign trade activities are not publicly known, some township and town enterprises engaged in export production have difficulty in obtaining timely and accurate information about international market demand and in adjusting their product structures. They can only passively engage in production. In some places, local protectionism is practiced, so that township and town enterprises can hardly choose trading ports. This has blocked export channels.

—The quality of some township and town enterprises themselves is very low. They lack technical and managerial personnel. Their material and technical equipment is backward, and they are crudely managed. Their economic results are very poor.

Some experts have suggested taking the following effective measures in order to prompt township and town enterprise to participate further in the international market and expand exports to earn more foreign exchange:

—There must be a policy slanted toward township and town enterprises' exports. The current stress is on eliminating discriminatory policies and on treating township and town enterprises that engage in export the same as state-owned enterprises. National plans should cover supplying energy, capital, and raw materials to township and town enterprises, and guarantee that such supplies will be given priority treatment. All preferential policies made by the state, such as the policy of retained foreign exchange, should be implemented among these enterprises. The blocking of retained foreign exchange in any form must be opposed.

—Experts suggest focusing on name-brand, high-quality, new, and special products, and relying on key enterprises as the leading force for developing combined industrial and trade groups. We should establish a common community of industrial and trade interests in order to seek economic results from the international market.

—Experts suggest devoting major efforts to innovating technologies and raising the quality of township and town enterprises. The efforts include actively adopting new technologies, developing new products, promoting new generations of products, upgrading product levels, and raising quality. While expanding channels and taking in more qualified personnel, enterprises should strengthen employees' technical training and increase employee quality. Enterprises should strengthen product quality management, improve and perfect the means and organization of quality control, and engage in standardized production according to international standards. Enterprises should actively perfect their business management and improve the quality of managerial personnel.

—Experts suggest setting up commodity bases for township and town enterprises' exports. Meanwhile, preferential policies on bank loans, taxation, and land leases should be formulated.

—Experts also suggest improving the information consulting system in order to provide timely, accurate, and effective information to township and town enterprises, so that they can earn foreign exchange.

**Improving Shandong's Township Enterprises**

9ICE0139A Beijing ZHONGGUO XIANGZHEN QIYE  
BAO [CHINA TOWN AND TOWNSHIP  
ENTERPRISE NEWS] in Chinese 22 Oct 90 p 1

[Article by Liu Peifang (0491 0160 5364), Reporter, and Song Qiuling (1345 4428 3781), Correspondent: "Shandong Improves Its Technical Advances, Training of Qualified Personnel, Enterprise Management and Externally Oriented Economy As the 'Four Engines' Propelling Soaring Enterprises"]

[Text] After over a year of reform and readjustment, Shandong town and township enterprise have now passed through an extremely difficult period. From January through September this year, town and township industry throughout the province achieved a cumulative output value of 57.16 billion yuan, a 19.7 percent increase over the same period last year, and has begun to enter a phase of stable development. But, developmental trends are by no means totally ideal. According to August data collected on the 13,682 township operated industrial enterprises throughout the province, 87.7 percent of the enterprises made a profit, 2.99 percentage points below the same period last year. To turn this situation around, Shandong province recently convened a working meeting of all the province's town and township enterprises in Penglai county. The meeting proposed that based on superior natural resources, they should make technological advances, training of qualified personnel, enterprise management, and an externally oriented economy the "four engines" promoting the development of town and township enterprises. If, at the same time, they increase the "power" of the "four engines," they could achieve a powerful combined force that could spur town and township enterprises to soar on the course fixed by state industrial policy.

To achieve the goals described above, the meeting drew up a plan to accomplish the four aspects:

To give impetus to technological advances, they concentrated on acquiring a good understanding of the development of new products. Based on market demands, they will fully utilize local resource, manpower, and technological advantages to develop new products and increase designs and varieties. In accordance with the requirements of society, they will research medium and low grade products and develop high grade products. In close coordination and alliance with institutions of higher education, scientific research units, and large state enterprises, they will introduce scientific achievements in a number of ways. At the same time, they will do a good job of producing a complete set of components for the new products of state enterprises. Where the conditions present themselves, they can actively exploit and utilize high technology and high added value products. But, the present concentration is on raising the added value on products by any means possible, including utilizing available resources and exploiting

potential energy resources and raw and processed materials to the fullest extent and actively developing energy-saving and resource-saving products; improving the grade of products by thorough and refined processing; updating product design and increasing product functions; improving the standards of packaging, and developing name products; and putting forth our utmost effort to come to a good understanding of technical advances, develop technical innovations, and fully exploit the potential of the enterprise. Fixed assets should be invested mainly for renewal and updating of equipment. An adequate fund should be drawn to develop new product technology, and, where conditions are favorable, with coordination the proportion drawn can be properly raised. This portion of funds should be suitably concentrated, set up with an over all plan, tested through use, and used for large-scale investment in projects of benefit to the economy and society.

In accelerating the training of qualified personnel, we should adopt various forms and combine the long- and short-term to accomplish job training for every type of enterprise administrative personnel and cadres of administrative departments at every level. Factory directors and managers under 45 years of age could undergo compulsory training studying mainly politics, laws and regulations, and management and administration. Those who do not pass the test would not be able to contract an enterprise and the enterprise where they are located could not be raised in grade and the products could not be designated high quality. If we want to improve employee training, do a good job of operating employee training centers at the technical secondary school and every other level, and constantly improve the training network, we must expand investment sources, increase investment in employee education, increase and pick up the pace of personnel training, and do a good job of educating employees on many levels and in every direction.

In improving enterprise management, we should correctly handle the relationship among administration, reform, and development, and closely integrate deepening reform, perfecting rules and regulations, and enhancing enterprise management. We must conscientiously and thoroughly implement the "Regulations on the Town and Township Enterprise Contract Management Responsibility System" formulated by the Ministry of Agriculture. We must further expand experimentation with the stock system, analyze and build on our experiences, continue to emulate the basic management experiences of large industries, and combine them with the flexible mechanisms of town and township enterprises to gradually form a distinctive administrative model suitable to the situation and characteristics of town and township enterprises. We must persist in developing activities for enterprises to raise their standards and reach the mark. As regards raising the standards of enterprises, we must establish a sound system of periodic checks and spot checks. Those that do not pass the test should first be given a yellow card warning them of a

limited time to make adjustment and second, if they still do not pass the retest, lose their title of advanced enterprise. If we want to come to a clear understanding of activities to improve the standards of financial affairs so that they can meet the mark, do a good job of training key cadre and enterprise experimentation, implement plans annually and by trade, and accomplish them within a definite time limit, we must further improve auditing and carry out the three practices of leadership, organization, and duty.

As regards to putting forth a great effort to develop the external economy, we should fully utilize Shandong's advantage as a key open area that is rich in natural resources, adopting positive steps and preferential policies to attract foreign investment. We must make every effort to set up joint investment, joint operation, and "three forms of import processing and compensation trade." In introducing foreign investment, we should pay attention to bringing in foreign investment with a high starting point, using advanced foreign equipment, technology, and techniques, as well as to learn from advanced management experience in order to raise the quality of products and enterprises to a new level. In putting forth a great effort to develop foreign-exchange-earning export enterprises, especially enterprises that are engaged in both manufacturing and trade, these industries and trades can share information and resources. They can establish a loose alliance or they can effect an integral industry and trade joint operation. Some enterprises strong in exports in a position to conduct individual export operations should be encouraged and organized to obtain the rights to manage their own affairs regarding exports and participate directly in the competition and the struggle of the international market. We also should encourage enterprises that have the capability to operate overseas factories. We should do an even better job of establishing export bases. While consolidating and expanding old bases, we should do everything possible to add another batch of new bases in such trades as foodstuffs, animal feed, chemical industry, textiles, hardware, fur, leather, and arts and crafts. Also in the western region we can, after carefully investigating and forecasting the market, establish export bases and organize export production. In establishing bases we should pay attention to serialization and social services. In developing the external economy, we must correctly handle relations between foreign and domestic sales so that the foreign promotes the domestic and the domestic fosters the foreign and domestic and foreign are integrated.

### **Ministry Promotes Development of Peasant Joint-Stock Enterprises**

91P30055A Beijing NONGMIN RIBAO in Chinese  
24 Oct 90 p 1

[Article: "Develop Peasant Joint-Stock Cooperative Enterprises With Assurance and Boldness—Agriculture Ministry's Policy and Structural Reform Legislation Department Responds to Reader of This Newspaper"]

[Text] To the NONGMIN RIBAO Editorial Department:

Since the Third Plenary Session of the 11th CPC Central Committee, a great many peasant joint-stock enterprises have appeared in Wenzhou. For a variety of reasons, however, society's understanding of these enterprises is inconsistent, and these enterprises have encountered considerable censure and discrimination in their course of development. The Ministry of Agriculture's issuance of the "Provisional Regulations on Peasant Joint-Stock Enterprises" in February of this year has helped to stabilize policy, people's minds, and the economy. Nonetheless, there are still many departments and comrades whose thinking on peasant joint-stock enterprises is confused, to the point that there are doubts about whether these enterprises are "socialist" or "capitalist." This has seriously affected their healthy development and economic stability. What then is the economic nature of the peasant joint-stock enterprises? Is large-scale development of these enterprises possible?—Chen Yiwu [7115 0001 0839], Wenzhou City, Zhejiang.

Comrade Chen Yiwu:

The situation you have described is fairly common and is, moreover, a relatively significant policy issue. Therefore, we went to speak with an official of the Ministry of Agriculture's Policy and Structural Reform Legislation Department. What follows is his response to these questions.—The editor.

Peasant joint-stock cooperative enterprises are a new type of cooperative economy created by the broad masses of peasants in the practice of reform during the past 10 years. Since the output-related family contract responsibility system was popularized in the countryside, a variety of new economic forms suited to development of the commodity economy rapidly appeared. To overcome the limitations of single-family independent enterprise economic development, peasants in many areas organized on their own and in line with the local financial, technological, manpower, and resource situation a great many joint-stock cooperative enterprises for the purpose of increasing financial resources, organizing labor resources, and increasing income. By adopting the principles of joint operations, pooling labor, democratic management, and distributing profits and retaining common accumulation according to work or mainly according to work, these enterprises have overcome the limitations of the commune and brigade-run collective enterprises of the past and differ from private enterprises based upon individual partnerships. Property rights are clearly defined, profits are equally shared and risks equally borne, they are resourceful and flexible, economic results have been quite good, the peasants have welcomed them warmly, and they have quickly become a major force within China's township enterprise sector and the rural economy as a whole. As the CPC Central Committee and State Council 1985 document "Ten Policies for Further Enlivening the Rural Economy" (Central Document Number 1, 1985)

pointed out: "Some cooperative enterprises run joint operations and share profits, funds are used to purchase shares, as is the value of means of production and of labor used in capital construction, and a portion of profits from operations are shared. This form of share cooperation does not alter shareholders' property rights and it avoids the malady of stressing cooperation but amalgamating property and indiscriminately transferring labor resources. It also integrates scattered factors of production to rapidly develop new scales of operation and accumulate common property. These methods should be encouraged."

The essence of socialist cooperative economy is labor cooperation. But for a long time, owing to the influence of "leftist" mistakes, some comrades have held to several deep-seated biases. For instance, they insist that cooperation is a concept that can only mean the amalgamation of all means of production and cannot entail household operations on any scale; that can only mean distribution according to labor and no sharing of profits; that encompasses only production-related cooperation and excludes pre- or post-production cooperation; and that is limited to regional organizations and incremental ownership system transition and cannot permit transregional or multi-tiered integration. Rural reform practice has already thrown off these unrealistic restrictions. The CPC Central Committee document "Several Questions on Current Rural Economic Policy" (Central Document Number 1, 1983) pointed out: "In China's current rural situation, the extent to which the cooperative sector's means of production have been transferred to public ownership, the method of distribution by labor, and the content and form of cooperation may all differ in different areas, among different production categories, and under different economic conditions, each preserving its own special characteristics. For instance, pooling of funds can be carried out at the same time as pooling of labor without affecting the ownership rights of units' and individuals' means of production, or pooling resources while maintaining household business operations. Besides production cooperation, there may also be integration of the supply and marketing, storage and transport, and technical services sectors. Integration may occur within a region or across several regions. No matter what type of pooling, as long as it observes the principle of voluntary participation and mutual benefit among workers, follows the guidance of the state plan, practices democratic management, retains common reserves which are set aside as accumulation funds for the collective, practices distribution according to labor or mainly according to labor, and at the same time shares a portion of profits—these all belong to the socialist cooperative economy." After this, several Central Committee documents on rural policies reiterated that a multi-tiered cooperative sector with multiple forms should be developed according to the actual conditions in the countryside. This was a major CPC breakthrough on the matter of rural cooperative economy following the Third Plenary Session of the 11th CPC Central Committee as well as a fundamental CPC policy concerning

the cooperative sector. Because peasant joint-stock cooperative enterprises observe the principle of voluntary participation and mutual benefit in production, fall under the guidance of the state plan, practice democratic management, labor cooperation, and distribution according to labor or mainly according to labor, retain public accumulation, and take independent responsibility for personnel matters, they surely belong to the socialist cooperative economy. They should proceed firmly and steadfastly, and with boldness and assurance!

A principal objective of rural reform is development of the socialist collective economy and bringing common prosperity to the peasants. Collective economy and the forms of collective economy are not entirely identical concepts. During different stages of the development of productive forces, in different places, different industries, and within different product departments, the collective economy's organizational forms should differ. Following the development of socialist commodity economy, increasingly rich and varied developmental forms of the collective economy necessarily appear. Peasant joint-stock cooperative enterprises integrate the masses of peasant laborers and integrate assets and retain a certain amount of public accumulation that cannot be divided. This after all can be considered a useful new exploration into developing the collective economy and leading the peasants to common prosperity. We should actively encourage and guide these enterprises, and not place restrictions on them or deny or abolish them just because they do not conform to the idea of collective economy long held by some comrades, i.e., "larger in size and having a higher degree of public ownership." In the several decades preceding reform, we made the collective economy into something absolute, uniform, and congealed, and then proceeded to set development of the collective sector against that of the commodity economy and the cooperative sector, seriously hindering rural economic development. This is a bitter lesson that we must not forget.

The development of peasant joint-stock enterprises has a short history, and thus it is inevitable that a variety of problems have cropped up. But from an overall perspective, they have been effective in bringing the peasants together and leading them to socialist common prosperity. They have been effective tools for bringing into play the benefits of economies of scale and establishing business mechanisms suited to the development of socialist commodity economy. They absorb a large amount of rural surplus labor, facilitate conversion of peasants' consumption funds and other idle funds to production funds, develop resources, and increase incomes. We have no reason to criticize, find fault with, or fail to support this economic form, which is capable of mobilizing peasant activism and promoting the development of productive forces.

Owing to several ideological and structural causes, peasant joint-stock enterprises have long run their course and shut down in several places, with no one to sustain or manage them. The masses and grass-roots level cadres

are very unhappy about this. We must in accordance with the party's and state's basic policies and laws since the Third Plenum of the 11th CPC Central Committee clearly affirm these enterprises' legal status, strengthen guidance and supervision, make them more standardized and systematized, raise their scientific level, and promote their stable and healthy development.

## COMMERCE

### Intellectual Property Tribunal Set Up

HK0612035590 Beijing CHINA DAILY in English  
6 Dec 90 p 3

[By staff reporter Chang Hong]

[Text] China's first tribunal exclusively for intellectual property cases was established in Beijing on Monday.

Affiliated with the Beijing Intermediate People's Court, the court will take up cases involving patents, trademarks, and disputes concerning ownership.

The tribunal will not look into copyright disputes at this time and lawsuits of this nature have to be filed with the court's civil section.

"The establishment of the collegiate bench is in response to a sharp rise in intellectual property disputes in recent years and aims to bring judicial organs into full play in promoting economic development," said Wang Yongyuan, vice-president of the city's intermediate court.

Intellectual property lawsuits, far less in number than civil and criminal cases, were previously handled by the economic bench and other benches in the court.

Wang said the improvement in the legislation in the fields of science and technology and the growing awareness among scientific workers that they may resort to judicial means to protect their rights created the need for such a specialized bench.

"The bench will surely provide protection for foreign enterprises and individuals who hold patents and trademarks in China," he said.

The Beijing Intermediate Court started to look into intellectual property cases in 1983, shortly after the enactment of the country's trademark law.

By October of this year, the court had heard 123 such cases, 55 were patent disputes and 51 were technological contract disputes.

According to Wang, the collegiate bench is composed of six judges and four secretaries. Three of the judges have law degrees while the other three have scientific backgrounds.

Wang said the court would enlist a number of professionals and experts to act as jurors.

He said that the collegiate bench would mainly refer to general principles of civil law, which codify intellectual property protection, the patent law, the trademark law and other specific law documents.

Wang said that at present the bench would focus its efforts on hearing industrial intellectual property disputes while leaving copyright cases to the civil bench.

## FOREIGN TRADE, INVESTMENT

### Responding to 'Integrated European Market'

91CE0102A Beijing GUOJI MAOYI WENTI  
[INTERNATIONAL TRADE JOURNAL] in Chinese  
No 9, 30 Sep 90 pp 31-33, 37

[Article by Liu Long (0491 7893)]

[Excerpts] The integrated European market has now entered its final phase of construction after almost three years of development and implementation. This will not only affect Western Europe's economic and political standing and role in the international community in the late 20th and early 21st centuries, but will also have a direct impact on the future structure of world economic relations and the development of trade exchanges and economic and technical cooperation between China and Western Europe. Thus, we must study and revise China's foreign economic relations and trade development strategy, and take steps to respond to this new regional grouping of the international economy.

[passage omitted]

### II. The Impact of the "Integrated European Market" and Response Strategies

The European EC is one of China's major trade partners. The establishment of the integrated European market is going to play a decisive role in the development of foreign economic relations and trade.

The 12 EC nations account for about 30 percent and 40 percent respectively, and of the world's GNP and foreign trade turnover, they have enormous economic might and market development potential. Under the current conditions of sharply increasing economic interdependence among all countries and continued economic internationalization, the establishment of the integrated European market certainly cannot be completely divorced from a structural reliance on the international market. Although the EC ensures export markets for about one-half of its member nations' industrial goods and agricultural products, the other half are still dependent on outside markets. China's definite advantages in providing most of Western Europe's market needs for products, such as household appliances, construction and sanitation porcelain products, furniture, sporting and recreation goods, clothing, footwear, industrial chemicals and medicine, and agricultural foodstuffs, have made it possible for us to increase our exports to the EC. In particular, the generous treatment given by the EC

since 1980 to products made in China such as industrial goods, textiles, and agricultural foodstuffs, will be of even more help to us in opening up the integrated European market.

Moreover, along with the EC's building of an internal market, its establishment of an integrated money and financial market in order to speed up the freedom of trade and capital circulation within the region, will make it easier for us to import funds from this huge capital reserve market. Furthermore, the EC's relative openness to technology transfers will also help us when importing capital, to use a form of combined technology and trade to import advanced-application and new high-tech technologies.

However, the establishment of an integrated European market will also have a lot of adverse impact on us. Under the current conditions of increasingly rampant international trade protectionism, an "internal market" is a form of "group protection," whose establishment implies an evolution and expansion of the Common Market into an integrated EC market, which increases the feeling overseas that it is a protectionist camp that might evolve into a forbidding "Fortress Europe" and become a hindrance to the flow of international trade. Thus, we should take the following effective steps to turn its adverse impact into a favorable one, meet its challenge, and strive for a sustained and steady growth of China's trade with Western Europe:

### **1. Develop Superior Products and Stabilize Export Channels**

The economies of the EC and China are mutually complementary. The EC nations are now facing industrial restructuring and development toward more high-grade, precision, and advanced products. Thus, the establishment of an "integrated European market" will not necessarily pose a threat to China's mostly labor-intensive export products, but may even make it possible for us to export more of them instead, provided they satisfy market needs. On one hand, we should further consolidate and increase our traditional commodity exports and stabilize our market share, while processing more in depth, improving the quality, and increasing the added value of sensitive products, such as textiles, on which the EC imposes strict import quantity limits, in order to increase our export earnings. On the other hand, we should make great efforts to export more electronics goods. Western Europe has the world's biggest electronics goods market, whose demand is still growing. As to market competitiveness, although most electronics exports are labor-intensive primary products which do not conflict much with EC products, they are seriously challenged by Soviet, Eastern European, South Korean, and Taiwanese products. The Soviet Union and Eastern Europe are relying on their geographical and low-price advantages, while South Korea and Taiwan are relying on their product packaging and post-sales service offensives to take bigger shares of the EC market than China. As our products are equal to theirs in performance and

quality, in addition to our advantages of cheap labor and depreciated currency, there are bright prospects that we can increase our exports to Western Europe, provided we emphasize reduced costs, improved packaging, and better service. Moreover, we must consolidate and expand our sales channels in Western Europe, bring into further play the key role in overseas operations of all provincial-level specialized foreign trade companies, improve our cooperation with customers who have management expertise, set up a stable sales promotion network, and draw up an effective marketing strategy in an attempt to further infiltrate and share in the advantages of the integrated Western European market.

### **2. Reduce Production Costs To Become More Competitive**

Except for the EC's tariff union and common farm policy, its internal market is actually split up into a great number of tax jurisdictions. Relevant statistics show that its member nations must go through over 10 commodity transit formalities, which one item alone has cost the EC as much as \$10 billion. The EC also has a wide variety of technical standards, such as seven different specifications for TV sets and over 10 for electrical appliance plugs. French and West German enterprises have as many as 30,000 and 13,000 technical standards, respectively, and it costs the EC about 50 billion European monetary units a year for conversion of technical specifications, in addition to the 40 billion European monetary units it loses due to its uncoordinated tax regulations. The EC's establishment of an "internal market," along with its dismantling of these nontariff walls, will greatly reduce its internal production costs (an estimated average reduction of more than 10 percent), which will make its products more competitive abroad. Thus, we will have to further reduce the production costs of China's export products, so that we can break into the integrated European market and earn higher profits with more competitive prices;

### **3. Improve Product Quality and Coordinate Product Standards**

The EC's elimination of internal borders and establishment of a single "free-circulation" market will replace the standards of all of its members with a unified European standard, while sharpening its internal competition. This is bound to put higher demands in areas, such as quality, standards, specifications, and post-sales service, on products which propose to enter this market. This means that unless our enterprises learn to produce and operate more flexibly in line with rapid market changes, our products are likely to be either squeezed out or unable to break into the EC market. Thus, we must study hard ways to harmonize our products with the EC's in areas, such as technical regulations, safety and health criteria, quality requirements, and packaging norms. First, the Commercial Inspection Bureau should begin as quickly as possible to collect, collate, and conduct follow-up surveys of EC commodity specifications and standards, in order to provide information to

our export production sector so that we can gradually standardize our commodity exports to Western Europe.

#### **4. Step Up Direct Investment To Seize Western European Markets**

Japan, the United States, the Soviet Union, Eastern Europe, and certain rising industrialized nations and regions are now stepping up their investments in setting up factories in the EC member nations. Japan already has 411 companies and enterprises which have established factories in Europe, South Korea has over 10 such companies, Comecon has 300 overseas companies and enterprises in the EC, and all transnational corporations have also taken up positions in key Western European countries, in order to seize European markets before the establishment of the integrated European market is completed. China should not miss this chance either to choose certain projects with market potential in EC countries, in which to make direct production investments in forms, such as wholly Chinese-owned enterprises, Sino-foreign joint ventures, and Sino-foreign contractual joint ventures. This will enable us both to assimilate local funds and technology, and also to detour trade barriers and consolidate and increase the market share of products.

#### **5. Take Advantage of EC Tariff Union To Develop Product Markets**

Tariff union is a key basis on which the EC is established. The "Rome Treaty" provides for reduction or exemption of tariffs on industrial goods and elimination of other import restrictions among member nations, as well as for free circulation of industrial goods within the EC. Thus, breaking Chinese products into one of these countries is the same as breaking them into a free market composed of many countries. We can also invest in setting up factories in any EC member nation, in which production uses China's raw materials and spare parts (on which import tariffs are much lower than on finished products) or finished products assembled from components. Provided these products increase in value 40 percent, they can win certificates of origin from that country and thus get into other EC member nations duty-free. This could certainly win China twice the result with half the effort in opening up the international market in many directions;

#### **6. Strengthen Multilateral Cooperation To Increase Entrepot Trade**

Another cooperative European organization—the six-nation European Free Trade Alliance (EA), is the EC's biggest free trade partner, and accounts for about one-quarter of EC trade with the outside world. As the EC's establishment of an internal market will make it harder for non-member nations to enter this market, China could explore the possibility of taking advantage of the special trade relations between the EA and the EC to break into the "integrated European market" via entrepot trade with EA countries.

#### **7. Compete for Diversified Aid To Develop Economic Relations and Trade**

The EC Council decided in November 1983 to expand its financial and technical aid program for nonaligned developing countries to China beginning in 1984. It provides 6 million European monetary units (about \$6.8 million) a year for the subsidization of ongoing cooperative trade agreements, mostly technology transfer and development projects in the fields of agriculture and food processing, which we should work hard to win. Moreover, we could also compete for the trade promotion aid which the EC began to provide to China in 1983, and use it to develop technology transfers for export products. In addition, we could also strengthen our cooperation with the EC in areas such as advice on technological upgrading of enterprises, personnel training, and S&T development, and also achieve our objective of promoting trade exchanges through further developing bilateral economic and trade relations.

#### **8. Enhance Macroeconomic Regulation and Control To Respond to "Integration" with "Unity"**

As China's foreign trade decisionmaking power has been devolved to lower administrative levels and our foreign trade management is slack, our current bullish and decentralized management of exports to the EC have sapped the sense of security and thus dampened the enthusiasm of foreign businessmen about handling Chinese commodities. In response to the EC's new integration, we must develop economic and trade relations with the integrated European market with unified policies, steps, and measures. Thus, the concerned departments should revise our export strategy, draw up trade laws and regulations, and enhance our relevant management coordination in order to develop economic and trade relations with the integrated European market which help to focus our strengths and advantages.

#### **Official Discusses Heihe's Border Trade**

*SK1312141690 Harbin HEILONGJIANG RIBAO  
in Chinese 30 Oct 90 p 2*

[Article by Zhang Wenshu, Secretary of the Heihe City Party Committee, and Xu Fuhe, Mayor of Heihe City: "Develop Border Trade To Make Heihe's Economy Flourish"]

[Text] Heihe is located in the middle-upper reaches of Heilong Jiang on the northern frontier of the motherland, and faces Blagoveshchensk, the capital of the Amur Oblast of the Soviet Union, across the river. It is an important border open city of northeast China, and an important outlet for trade with the Soviet Union and the East European countries. Since the Third Plenary Session of the Eleventh Party Central Committee, particularly since 1987 when Sino-Soviet trade opened, new vigor and vitality have been instilled into the economic development of Heihe City thanks to comprehensive implementation of the principle of reform and opening

up, and the economic development strategy of "association with the south and opening to the north, and opening trade to develop the border areas." A notable change has taken place in the outlook of the city, and the people's living standards have remarkably improved. As compared with the period before the Third Plenary Session, the city's 1989 agricultural output value (in terms of present value) increased by 69 percent, the industrial output value by 50 percent, the per-capita annual income of staff members and workers by 150 percent, and the rural per-capita income by 270 percent.

To meet the needs in opening to the outside world and developing border trade with the Soviet Union, we took the road of developing the border areas through border trade in recent years in line with our actual conditions of having weak infrastructural facilities and backward economic development. Along with the border trade development, we further realized an organic combination of industry, agriculture, and tourism with border trade to lead the coordinated development of the entire local economy.

In the combination of agriculture with border trade, we adopted the method of making border trade promote and supplement agriculture to ensure an increase in agricultural investment, and further strengthen the position of agriculture as the foundation. In the past two years, to meet needs in agricultural development, the city border trade company imported from the Soviet Union more than 40 large combine harvesters, which are greatly resistant to subsidence [fang xian neng li 7089 7119 5174 0500], and other farm machines, thus solving the problem where good wheat production did not lead to bumper harvests due to the poor subsidence-resistant capacity of harvesters. It imported more than 50,000 tons of chemical fertilizer to increase the amount of fertilizer applied to each mu of the farmland of the city from 7.5 kg to 15 kg. To help peasants resolve their shortage of funds, we sold imported means of agricultural production at lower prices to allow peasants to share the profits. In selling large harvesters alone, we allowed peasants to share 430,000 yuan of profits in 1989. Thanks to increased strength in mechanized farming and an increase in agricultural investment, the city's agricultural output value increased from 49.74 million yuan in 1987 to 76.15 million yuan in 1989, and its per-mu grain yield from 74 kg to 110 kg, and the peasants increased their income by 200 yuan. To turn the import-oriented agricultural economy into an export-oriented one, and solve the problem of surplus agricultural manpower, we organized and sent 550 agricultural laborers to the Soviet Union to pick vegetables in 1989, thus expanding the spheres of economic and technological cooperation between the two countries.

In combining industry with border trade, border trade departments provided local industrial enterprises with the Soviet market information in a timely manner, thus enhancing their sense of urgency and initiative in adjusting their product mix, and enabling them to produce export products in line with the market demand of

the Soviet side. In this way, construction of export commodity production bases was facilitated. So far, 16 new products, including single-phase electric asynchronous machines and interlayer glass for motor vehicles, have entered the international market, nine enterprises of leather, food, printing and other industries have been technically transformed, five Sino-Soviet joint ventures engaged in "three forms of import-processing and compensation trade" have been established, and six large projects have been registered and are being appraised. They have facilitated the establishment in Heihe City of an economic pattern with the export-oriented economy in the dominant position. Meanwhile, border trade also helped invigorate the enterprises engaged in distribution of goods. Despite the sluggish market in the country, the city's commodity retail sales rose from 91.65 million yuan in 1987 to 137.13 million yuan last year thanks to efforts to organize supplies of goods for export, the sales of imported materials, and the "one-day tours" participated in by Chinese and Soviet people, which promoted consumption. The economic efficiency of such enterprises have improved notably. Four of these enterprises earned more than 500,000 yuan a year, of which the hardware company earned more than 1 million yuan.

In the combination of tourism with border trade, we made the best use of the "one-day tour" developed by Heihe City and Blagoveshchensk, making Heihe City an eye-catching and more famous area of the county. By doing a good job in receiving tourists, we not only became acquainted with many domestic and foreign trade partners, and expanding the scope and spheres of border trade and economic and technological cooperation, but also facilitated the development of the tertiary industry. Catering and service units and their employees have doubled as compared with 1987. A number of hotels with fairly complete facilities, as well as high-grade restaurants and shopping centers have emerged as required. They not only helped increase local revenues but improved the service facilities of this trade outlet, and promoted the development of border trade.

In the past few years, although Heihe city made some progress in border trade and economic and technological development, it was only a beginning. To facilitate the long-term development of border trade, we should, in the future, continue to adhere to the principle of opening up on every side. Making the best use of the international environment with peace and development as the mainstream, and seizing the opportunity of the coordination and regionalization in the world economic development, the normalization of Sino-Soviet relations, and the Soviet Union's endeavor to accelerate its development of the Far East area, we should strive to build Heihe City into an ideal window through which China develops trade and economic and technological cooperation with the Soviet Union and the East European countries.

### Strategies for Export Pricing Policy

91CE0151A Beijing GUOJI SHANGBAO in Chinese  
17 Nov 90 p 3

[Article by Ceng Fang (2582 2455): "On Pricing Tactics for Export Commodities"]

[Text] The daily balance of China's foreign trade has further improved in 1990, we have exported more than we have imported, we have achieved a better balance of trade, and our foreign exchange reserves have grown, which has enhanced our foreign payments capability.

However, certain factors have also appeared which are very unfavorable for us. The most alarming of these is the increasing occurrence in recent months of U.S. and European imposition of "antidumping" tariffs on, and conducting of "anti-dumping" inquiries about, our export commodities, to which we have been forced to pay a great deal of attention.

For instance, the Economic Community recently decided to impose "antidumping" tariffs on PRC exports of tungstic oxide, tungstic acid, tungsten carbide, and metallic silicon of 37 percent, 35 percent, 33 percent, and 18.7 percent, respectively, and to conduct "antidumping" inquiries about China's exports of synthetic diamonds, cigarette lighters, and videotape. Similar conditions also apply to these exports on U.S. markets.

It is common knowledge that the major rationale for imposing "antidumping" tariffs and conducting "antidumping" inquiries, is that the market shocks from so-called "too low export prices" or "low-price dumping" are harmful to similar industries in the importing countries. Although this includes unfair factors, such as irrational prices and trade protectionism in the importing countries, too much Chinese export price reduction due to bullish exporting ought to arouse our full attention.

First, export products are too low-grade, which makes them cheaper. China's export commodities now include too many low-grade raw-material-type and primary products, and too few in-depth, precision-work, and high-tech ones. This, in addition to factors such as low labor costs and poor product quality in China, have always left the export product prices too low in relation to similar foreign ones.

Although many of China's commodities have long been much sought after on the international market because they are "inexpensive and good," "inexpensive" and "good" do not necessarily go together. Although using suitably low prices as a sales promotion tactic to break into new markets is desirable, going to the extreme of using too low prices for too long produces the opposite reaction and leads to imposition of "antidumping" tariffs.

Second, our chaotic foreign trade system, in which too many companies export through too many channels,

affects the quality and price of our export merchandise. As many traditional export products and international market hot-sellers achieve good export efficiency and earn much foreign exchange, certain export companies, and recently approved self-run export units in particular, force up commodity prices to create panic buying at all costs, and commonly use tactics, such as reducing to lower grades, raising prices, and then offering rebates, to trigger a chain of price wars. Reducing to lower grades causes a steady drop in the quality of export merchandise. It is precisely our bullish exporting and marketing chaos which has caused the steep fall in our prices for tungsten ore and products, for which China formerly had a corner on the international market, to be penalized by the imposition of "antidumping" tariffs. We should learn a lesson from and be warned by this.

Thus, the concerned departments should take effective steps to ensure that our foreign trade develops in a direction that benefits China. I think that this should proceed mainly in the following areas:

1. The export product mix should be restructured to make our products higher-grade. In addition to continuing to increase our exports of traditional products, we should further restructure our export commodity mix, strive to increase our exports of manufactured goods, such as light textiles and electronics, as well as highly processed and high-tech goods, and take active steps to increase our export earnings from agricultural products. Higher grades bring higher prices, and better quality produces better efficiency. Taking the wooden shuttles used in making textiles for instance, while the average sales price on the international market for wooden shuttles is \$4 to \$6 apiece for those made in Japan, it is only \$1 to \$2 apiece for those produced in certain parts of China, which is a several-fold price difference.

2. The foreign trade system should be further perfected to rationalize our export channels. This will be the only way to eliminate the phenomenon of domestic forcing up of commodity prices, panic buying, and vying for goods sources, along with foreign low-priced sales contests to win customers, and to establish foreign trade prestige by improving the quality of our export products. Those units which neither understand international market conditions or do not have regular customers and are unqualified to conduct foreign trade should be firmly sorted out and reorganized. Only if export units act consistently and establish a common foreign trade ideology, can export product quality be ensured and favorable prices be earned.

3. Macroeconomic control over domestic production should be enhanced. This is even more important for sensitive and staple export products for the international market. It was precisely our past ineffective measures which caused a chain of "price wars" and huge economic losses. Thus, rapidly taking practical and effective steps to enhance our macroeconomic control and management has become a task of top priority.

**Shandong Fulfills Silk Export Target Ahead of Schedule**

OW1112143890 Beijing XINHUA in English  
0848 GMT 11 Dec 90

[Text] Jinan, December 11 (XINHUA)—The silk export target for central China's Shandong Province has been met one month ahead of schedule, according to an official from the Shandong branch of the China Silk Corporation.

By the end of November, the total export value reached 72.16 million U.S. dollars, a 16.52 percent increase over the same period of last year, and 160,000 million U.S. dollars more than this year's targeted amount.

It is estimated that by the end of this year the silk export value will reach 76 million U.S. dollars, twice as much as that of 1985, the official said.

In order to promote the silk exports, the local authorities have paid more attention to the development of trade relations with foreign business.

This year, they held several trade fairs in Shandong and sent their representatives to more than ten foreign countries and regions with the purpose of developing the silk export trade and seeking international markets.

**Shanxi Province Increases Coal Exports**

OW0712145490 Beijing XINHUA in English  
1321 GMT 7 Dec 90

[Text] Taiyuan, December 7 (XINHUA)—Local mines in Shanxi Province, China's leading coal producer, exported coal valued at 100 million U.S. dollars in the first ten months of this year, an increase of 21.64 over a year ago.

Large and major coal mines in Shanxi are administered by the state, while medium and small mines are operated by the provincial government or individuals.

The province has improved management on coal quality and upgraded shipping facilities this year in an effort to increase coal exports.

As a result, coal exported by local mines in Shanxi enjoy high international prestige.

**Anhui Increases Number of Foreign-Funded Enterprises**

OW1212051390 Beijing XINHUA in English  
0140 GMT 12 Dec 90

[Text] Hefei, December 12 (XINHUA)—East China's Anhui Province has set up an additional 44 foreign-funded enterprises during the past three months.

The Hefei Fork Lift Plant, which is subordinate to the Ministry of Machinery and Electronics Industry, has signed an accord with a Japanese corporation. The

Japanese partner has invested 11 million yuan and has sent senior technical personnel to conduct production management in the plant.

The Japanese partner will purchase 70 percent of the products and the Chinese side will earn over 2.71 million U.S. dollars each year.

The plant will introduce advanced equipment and technology to improve product quality. The fork lifts produced by the plant are expected to sell well in the market.

In addition, enterprises such as the Ma'anshan Iron and Steel Plant, the Wuhu Chemical Factory, the Tongling Paper Mould Plant and the Baimashan Cement Plant are also making preparations for co-operation with foreign businessmen.

**Stone Corporation Signs Contract With French Firm**

OW1312182190 Beijing XINHUA in English  
1332 GMT 13 Dec 90

[Text] Beijing, December 13 (XINHUA)—Stone Corporation recently signed a contract here with the French computer company, Bull, to jointly promote the sale of Bull's DPX/2 computer along with Stone's Chinese character products.

Duan Yongji, vice president of Stone Corporation, said that this is one of the steps taken by Stone to turn its scientific endeavors into salable commodities through international co-operation.

Stone Corporation is a computer enterprise that blends technology, manufacturing and trade into a single entity.

The corporation has developed a number of computer products, which are highly suited for China's market, in areas such as information processing, office automation and computer assisted design.

Duan said that the corporation's total sales volume during the past five years has exceeded four billion yuan.

**Shanghai Anticipates Record Exports**

OW1312181590 Beijing XINHUA in English  
1409 GMT 13 Dec 90

[Text] Shanghai, December 13 (XINHUA)—Shanghai, China's largest industrial city, is expected to export goods valued at a record of 5.25 billion U.S. dollars this year.

An official with the city's Foreign Trade Commission said here today that the figure is approximately 220 million U.S. dollars higher than the 1989 figure of 5.03 billion U.S. dollars.

The official said that the city's total export value during the Seventh Five-Year Plan period (1986-1990) is expected to reach over 22.6 billion U.S. dollars.

Statistics show that machinery and electronics exports represent over 20 percent of the total for this year, compared with only 3.6 percent in 1985.

### Import Volume Declines

OW1412115990 Beijing XINHUA in English  
1128 GMT 14 Dec 90

[Text] Beijing, December 14 (XINHUA)—China's total volume of imports and exports in November reached 10.68 billion U.S. dollars—worth, 9.9 percent more than in the same period of last year, according to statistics released by the China customs here today.

Of the figure, the volume of exports was 5.79 billion U.S. dollars—worth, an increase of 20 percent, and the volume of imports was 4.89 billion U.S. dollars—worth, similar to the figure for the same period of last year.

Deducting the import and export value of free aid, donations, processing business and equipment imported by foreign-funded enterprises as investment, the net export was 4.79 billion U.S. dollars—worth, a rise of 21 percent or 1.31 billion U.S. dollars—worth more than imports. The general export and reexport of processed imported materials increased by 20.40 percent and 23 percent, respectively. The volume of net import was 3.48 billion U.S. dollars—worth, 5.5 percent less than in the same period of last year, the smallest drop since September, when the import decline began to slow.

By the end of November the total volume of exports this year had reached 53.04 billion U.S. dollars—worth, a rise of 16.2 percent over the same period of last year, and the volume of imports was 45.94 billion U.S. dollars—worth, a drop of 12.2 percent from the year-earlier period.

### Tourism Recovery Boosts Foreign Exchange Earnings

OW1412180990 Beijing XINHUA in English  
1652 GMT 14 Dec 90

[Text] Beijing, December 14 (XINHUA)—China's tourism industry has begun to show signs of recovering following a few months of decline, according to the State Tourism Administration.

Statistics released by the administration reveal that the number of overseas tourists added up to more than 2.5 million in October, 23.1 percent more than that of the previous October.

This has brought the figure for the total number of tourists coming to China in the first ten months of this year to more than 22.7 million, 12.8 percent more than the figure for the same period last year.

The accumulative foreign exchange earnings from tourism were estimated at 1.77 billion U.S. dollars in the first ten months, 14.9 percent more than those from the same period of last year.

China's tourism began to decline in June 1989, with the number of overseas tourists dropping sharply for a period of time. However, with the development of the stable political and economic situation, the number of overseas tourists began to increase.

The Tourism Administration's statistics show that by the end of October this year, the number of tourists from Japan, India, the United States, Canada, Britain, Germany, France, Italy and Spain increased by more than 50 percent.

The total number of tourists holding foreign passports that came to China in the period from January to October totaled more than 1.44 million, including more than 750,000 from Asia, marking a 28.2 percent increase over the same period of last year; more than 360,000 from Europe, a 9.6 percent increase; more than 240,000 from the Americas, a 1.6 percent increase; and more than 50,000 from Oceania, marking a 3.3 percent decrease.

The number of Overseas Chinese tourists over the ten month period totalled 76,200, 37.5 percent more than that of the same period of last year. In addition, more than 21.2 million compatriots from Hong Kong, Macao and Taiwan visited the mainland during the period, an increase of 12.5 percent over the same period last year. Among the compatriot visitors, 799,000 came from Taiwan.

### Beijing Jeep Exports Rise 22 Percent

OW1512083490 Beijing XINHUA in English  
0716 GMT 15 Dec 90

[Text] Beijing, December 15 (XINHUA)—China's first automotive joint venture—the Beijing Jeep Corporation Ltd., has exported 338 Jeeps for a total of 3.88 million U.S. dollars by the end of November this year.

The number of exported jeeps showed a 22 percent increase over the same period of last year.

The corporation has manufactured 41,000 BJ Cherokees and BJ 2020 Jeeps—the two major products—for a net sales income of 1.55 billion yuan and a profit of 130 million yuan this year.

The cars were exported to Thailand, Holland, the Soviet Union, and Latin American countries.

According to officials from the corporation, the joint venture's total export value will exceed 5.5 million U.S. dollars this year.

### Shanghai Securities Exchange Gears To Meet Overseas Needs

OW1712210690 Beijing XINHUA in English  
1625 GMT 17 Dec 90

[Text] Shanghai, December 17 (XINHUA)—The Shanghai Securities Exchange, which is scheduled to

open 19 December, is formulating measures concerning the purchase of bonds or shares on the exchange by overseas clients.

This was announced by Li Xiangrui, director of the board of governors of the exchange, today while meeting with businessmen from the stock exchanges of Hong Kong, Taiwan, Singapore and the United States.

The exchange is also preparing to increase the varieties of bonds and shares to meet the needs of overseas investors.

Li said that nearly 30 types of bonds and shares, mainly state treasury bonds, bonds issued by enterprises and financial bonds, will be available on the exchange.

He also disclosed that enterprises which have already issued bonds will issue more bonds and enterprises which have not issued bonds will be changed into shareholding companies and their shares will be allowed to go public.

#### **Wuhan Mayor Plans Improved Investment Environment**

*OW1712092090 Beijing XINHUA in English  
0714 GMT 17 Dec 90*

[Text] Wuhan, December 17 (XINHUA)—Wuhan, central China's largest city, will witness a great improvement in its investment environment during the next five years, said Mayor Zhao Baojiang today.

Zhao said that construction of the Tianhe International Airport has already begun, and that by 1993, when the airport is scheduled for completion, planes of any size will be able to use the airport.

The mayor said that construction of an electric power station, with an installed capacity of 1.2 million kilowatts, will begin tomorrow. Zhao added that the new station will completely change the city's current intense energy situation.

On December 19, a Sino-French joint venture agreement will be signed in Paris. The new venture, which will produce 300,000 cars each year, will require an investment of over 3.55 billion yuan (700 million U.S. dollars) in the first stage alone.

Zhao said that over 13.74 billion yuan (2.5 billion U.S. dollars) has been invested in key projects, which are currently under construction or scheduled for construction.

Increasing numbers of foreign businessmen have been coming here to invest after receiving information that Wuhan will be opened more widely.

#### **Shandong Factory Expands Cooperation With South Korean Company**

*HK2012021490 Beijing CHINA DAILY in English  
20 Dec 90 p 2*

[By staff reporter Zhang Yuan]

[Text] A machinery factory in Shandong Province is to expand its cooperation with a South Korean company next year, CHINA DAILY learned yesterday.

Recently, the Weifang Shengjian Machinery Factory signed a contract with the South Korean company on manufacturing 188 SVC-type compressors.

The Korean company will provide the Weifang factory with designs, according to a report released by the China International Cooperation Association of Small and Medium Enterprises (Cicasme).

It is the first time the Weifang factory has co-operated with a Korean partner.

With the help of Cicasme, the report said, the Weifang factory started negotiations with the Korean company last year and signed a contract early this year to process 16 SVC-type compressors.

On 8 September, the factory completed the contract and the compressors, after the quality appraisal from both the department of Chinese import and export commodities inspection and the Korean company, were shipped to South Korea.

The Korean company was so satisfied with the product quality and completion date that it decided to expand co-operation with the Chinese manufacturer.

Established in March this year, Cicasme is designed to promote cooperation of small and medium businesses between China's mainland and South Korea and Taiwan.

President of Cicasme is Sheng Shuren, Vice-Minister of the State Planning Commission.

#### **New Export Earning Regulations Imminent**

*HK1912023890 Beijing CHINA DAILY in English  
19 Dec 90 p 2*

[By staff reporter Song Ning]

[Text] Regulations governing the verification of export earnings are to go into effect on January 1, requiring exporters in China to go through a new procedure in banks, customs and foreign exchange control departments for every export and collection of hard currency.

An official with the State Administration of Exchange Control said yesterday that the regulations aimed to improve management of export earnings and block up loopholes of default payments by foreign clients and diversion of foreign exchange by Chinese companies.

He said there had been a big gap every year between export value and the actual amount of money collected since China did not have any measures whereby it could trace the collection of export earnings.

The money that does not flow back to China includes defaulted payments and those disposed of by Chinese companies in foreign countries.

The official did not say how much China fails to collect from its exports every year.

But a reliable source who declined to be named put the figure at several billion U.S. dollars last year when China's exports were valued at \$43.4 billion.

The official said the regulations, which were worked out after two years' preparations as an important component of China's foreign trade reform, had recently been approved by the State Council.

To implement the 16-article regulations, a set of 21-article detailed measures would also be carried out starting from January 1.

The regulations and implementation measures were drafted and will be executed by the People's Bank of China, the country's central bank, the Bank of China, the major foreign exchange bank in the country, the State Exchange Control Administration, the General Administration of Customs and the Ministry of Foreign Economic Relations and Trade.

They will cover foreign exchange collection of every export from China, including those by foreign-invested enterprises, whose expenditure of foreign exchange is excluded from the planning of central and local governments.

Under the regulations, exporters have to acquire a stamped "export earning verification form" from the exchange control departments. Customs will allow only those stamped goods to leave China. And banks will process export bills of these goods alone.

The stamped forms will finally return to exchange control departments for cancellation after exporters have received payments from foreign clients.

The officials said those companies which fail to collect money would be punished and fined.

He said local foreign trade departments, banks, customs and exchange control organizations had been informed about the regulations. They would add extra staff to carry out the new job, he said.

### **Chengdu Approves Land Use Rules for Foreign-Funded Firms**

*OW2012092190 Beijing XINHUA in English  
0837 GMT 20 Dec 90*

[Text] Chengdu, December 20 (XINHUA)—The city government of Chengdu, capital of southwest China's

Sichuan Province, has recently approved, and will soon announce, land use management regulations for foreign-funded enterprises.

According to an official from the State Land Administration of Chengdu City, the regulations provide foreign businessmen with the legal guidelines for conducting business in the city. The regulations were set up to meet the growing demand for such information by the city's increasing number of foreign-funded enterprises.

The regulations stipulate that foreign funded enterprises must first present applications to the city's State Land Administration and City Planning Departments. After receiving the approval of the city government or provincial government, the city's State Land Administration will sign contracts with the foreign businessmen concerned, and grant them land use certificates. The foreign businessmen must also pay a fixed amount of money for the use of the land.

According to the regulations, certain foreign funded enterprises, including those dealing in the development of education, energy, the construction of basic facilities in the city, export products and advanced technology, will be entitled to use land free of charge or at discounted rates.

The foreign-funded enterprises which have previously used, or are currently using land in the urban area must also abide by the new regulations, and present their applications to the city's State Land Use Administration before February 18 next year.

At present, Chengdu has 77 foreign-funded enterprises involving a total investment of 252 million U.S. dollars.

### **Guangdong Foreign Trade Exceeds State Plan Targets**

*OW2012104890 Beijing XINHUA in English  
1017 GMT 20 Dec 90*

[Text] Guangzhou, December 20 (XINHUA)—The value of Guangdong Province's foreign trade between January and mid-December this year totalled 9.1 billion U.S. dollars, up 26.92 percent over the same period of last year and exceeding the state plan by 44.7 percent, according to statistics.

A provincial official in charge of foreign trade attributed the good result to the increase of export goods produced by foreign-funded enterprises.

He said that the amount of goods produced by foreign-funded enterprises accounted for 41.2 percent of the province's total, up 5.6 percent over the same period of last year.

While implementing the policy to encourage exports, Guangdong's local governments have streamlined companies and paid close attention to upgrading enterprises' technology and improving the quality of goods produced for export.

## ECONOMIC ZONES

**Relationship of Pudong's Development to Open Policy**

91CE0045A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 9, 15 Sep 90 pp 19-22

[Article by Xia Yulong (1115 4416 7893), Affiliated With the Shanghai Academy of Social Sciences; Responsible Editors: Cong Zhong (0654 0022) and Yun Yan (0061 7159): "The Relationship of the Development of Pudong to the Strategic Distribution of China's Open Policy"]

[Text] Uneven economic development has caused regional discrepancies in China's economic openness. What kind of strategic distribution should China's open policy actually have in the late 20th and early 21st centuries? What role will the development of Pudong play in realizing this distribution? These are questions which this article attempts to answer.

**The Impact of the Coastal Open Zone on the Relations Between Eastern and Western China**

A coastal open zone, centered in the southeastern provinces of Fujian, Guangdong, and Hainan, and having a population of 200 million people, is now beginning to take shape in China after many years of hard work. Although the distribution of this open zone is rational, suited to regional differences in economic and cultural development, and favorable to bringing the regional advantages of coastal foreign economic relations into full play, it has also increased the economic gap between eastern and western China by sharpening the conflicts between eastern China's manufacturing-intensive zones and western China's raw materials, power, and primary product producing areas. Thus, the policy of looking abroad for both raw materials and markets has been proposed for the coastal open zone, in order to ease the fierce rivalry between eastern and western China for raw materials and sales markets.

How should this policy of looking abroad for both raw materials and markets be regarded? Although it is certainly an attractive idea, has a certain amount of feasibility, and is a direction in which efforts should be invested, there are still doubts about the possibility of totally throwing a region of 200 million people (a population three times that of the "four little dragons" of Asia combined) into international economic systemic circulation for raw materials and markets all at once, under the current international conditions of slowing economic growth, sharpening market competition, and rising trade protectionism. Moreover, the necessity and feasibility of looking abroad for both raw materials and markets also need to be explored, since China is a continental country with a vast territory and a huge domestic market, as opposed to island and seaport-type countries and regions with small domestic markets. As China has obvious similarities to open continental countries like the United States, in which foreign trade accounts for only 10-20

percent of all trade, we must absolutely not overlook the economic relations between our coastal open zone and our inland areas in the process of looking abroad for both raw materials and markets (which can be realized to varying degrees in various areas due to different conditions), but must rely on both foreign and domestic raw materials and markets, in order to link up international and domestic markets.

It is thus obvious that a north-south strategic distribution of our coastal open zone alone will not do, but that we should also have an east-west strategic distribution in our open policy. Although I was subjected to considerable reproach when I and several other comrades proposed a terraced theory of regional economic development many years ago, its central theme, in fact, was to take advantage of objective existing disparities in economic development to promote a rational circulation of key production factors between eastern, central, and western China, so that the economy of eastern China would stimulate that of western China. Regrettably, system factors, such as general separation of financial responsibility, and policy factors, such as irrational pricing, have intensified regional separatism, made it very hard to set up closely integrated transregional enterprise groups, and seriously impeded the circulation of key production factors, such as funds, raw materials, technology, and talented personnel. This is a key cause of the sharpened economic conflict and increased economic gap between eastern and western China. Thus, our policy of opening up to the outside world should have a strategic distribution that is oriented toward both eastern and western China, and conscientious steps should be taken to make the economy of eastern China stimulate that of western China, i.e., through east-west as well as north-south alliances.

Which regions should the east-west distribution of our open policy be focused on? If we use the Chiangjiang and Huanghe river valleys as rough boundaries with which to divide China into northern and southern halves, each of these two halves has its focal zone. First, the focal zone of the southern half of China is undoubtedly the Chiangjiang River valley. The Chiangjiang River valley has an area of 1.8 million sq km and a transport capacity 13 times that of railways of the same length, accounts for about 40 percent of China's GNP, and has a key city in its upper, middle, and lower reaches, i.e., Chongqing, Wuhan, and Shanghai (to which Nanjing can also be added), respectively. Whereas the open posture of the northern half of China can be seen in the following three "land bridges" that are being built between Asia and Europe: 1) a major railway connecting Dalian with Siberia via Manzhouli; 2) a major railway connecting Tianjin with Siberia via Erenhot and Mongolia; 3) a railway connecting Lianyungang with Alma Ata in the Soviet Union via the Gansu-Yellow Sea, Lanzhou-Xinjiang, and Northern Xinjiang railway lines. Compared to the traditional ocean shipping line through the Strait of Malacca, these overland transport routes between Asia and Europe are 70-80 percent faster and

cost 20-30 percent less. Of course, a whole train of events must yet occur before these "land bridges" between Asia and Europe are open to traffic. Although the Lianyungang-Alma Ata route is the shortest, it is the longest one within the boundaries of China, stretching all the way from the east China coast to the great northwest via the central plains, and has the greatest potential economic significance. Thus, the focal zone of the northern half of China is along the Gansu-Yellow Sea, Lanzhou-Xinjiang, and Northern Xinjiang railway lines.

On this basis, a rough outline can be drawn up for the strategic distribution of China's open policy in the late 20th and early 21st centuries. Taking the coastal open zone as the horizontal stroke, or top, the Changjiang River valley and the route along the Gansu-Yellow Sea, Lanzhou-Xinjiang, and Northern Xinjiang railway lines can act as the two vertical strokes, or legs, to form a Greek letter "pi," [  $\Delta$  ] or table shape. This "pi" shape ties together China's various regions, such as east, south central, northeast, north, southwest, and northwest, linking them up in length and breadth and treating them as a whole. Of course, as these two legs are not of the same diameter, it should be pointed out that the Changjiang River water leg is more important than the railway land leg.

#### The Concept of a Great Shanghai-Hong Kong-Taiwan Triangle

The following spectacular open economic zones have appeared along China's southeastern coast in the 1980's: 1) the Zhujiang River delta, with its economic center in Hong Kong and 2 million people working for Hong Kong manufacturing enterprises; 2) the Fujian coastal zone, whose economy is being increasingly stimulated by strong radiation from Taiwan. As the economic centers of these two zones are both abroad, from the angle of the strategic distribution of China's open policy, there is still an urgent need to form an economic center with a powerful radiation capability on mainland China, i.e., in Shanghai. While Shanghai was the Far East's most decisive banking and trade center and greatest internationalized city in the 1920's and 1930's, even though it is still China's biggest industrial and commercial city, its limited economic attraction and radiation capabilities have obviously left it more a national-level economic center in name than in reality. Moreover, it is clearly less open to the outside world than the Zhujiang River Delta and the Fujian coastal zone. Thus, further opening up Shanghai, so that it can recover and expand its functions as an international and domestic economic center, should be considered a task of strategic significance.

It is particularly worth noting that Shanghai is surrounded by and in the center of the Changjiang River Delta, which includes 14 cities, with a land area of 100,000 sq km, or 2.8 times that of Taiwan, and a population of 70 million, or 3.9 times that of Taiwan, and is Mainland China's most economically, scientifically, and culturally developed region. In combination with the other cities in the Changjiang River Delta,

Shanghai is fully capable of becoming an independent side of a great economic triangle with Hong Kong and Taiwan.

Economic relations in this great Shanghai-Hong Kong-Taiwan triangle could be based on equality and mutual benefit. On one hand, while Shanghai has strong S&T forces, complete industrial categories, and overall advantages, it lacks funds, information, and overseas connections. Shanghai's disadvantages are precisely Hong Kong and Taiwan's advantages. As Hong Kong is a world-class financial center, and Taiwan has over \$70 billion in foreign exchange reserves, they both have extensive international trade connections and sensitive market information channels that could supplement Shanghai's inadequacies. On the other hand, as Hong Kong and Taiwan need to make their industrial structures higher tech due to factors such as currency appreciation and rising labor costs, Shanghai's S&T forces could be brought into full play in this area in order to jointly industrialize its technological development achievements. Moreover, as Shanghai has a strong and complete industrial capability and good labor quality, it could provide Hong Kong and Taiwan with an advantageous place in which to invest surplus funds and set up industries they need to shift elsewhere. Thus, it can be said that Shanghai's advantages suit Hong Kong and Taiwan's needs exactly. These mutually beneficial concerns make the formation of a great Shanghai-Hong Kong-Taiwan triangle not only necessary, but also possible and, from the overall perspective of China's open policy, something which much effort should be made to achieve.

Setting up this great Shanghai-Hong Kong-Taiwan triangle in the southern half of China, and building the three "land bridges" from Asia to Europe in the northern half of China, is another concept of a strategic distribution for China's open policy.

#### The Aims and Significance of Developing Pudong

As developing Pudong will be a great project for both Shanghai and China which will last into the 21st century, its aims and significance should be studied in relation to the strategic distribution of China's open policy.

The significance of Pudong's development is based, above all, on its advantageous geographical location. Pudong's planned development of a 350-sq-km triangular zone, enclosed by the East China Sea on the east and the Changjiang River on the north, is like a wedge inserted into the point where the mouth of the river converges with the sea. It is separated from other shores by only a river, and has the advantage of being a hub for nearby cities. Its Waigaoqiao Zone at the mouth of the Changjiang River, has over 4 km of deepwater shoreline, on which a large modern port can be built to reverse the unfavorable trend of the constant expansion of the port of Shanghai into the Huangpujiang River. It has very

little pollution and a good ecology. This is why Shanghai is making outstanding progress in expanding to the south, north, and east.

A key feature of Pudong's development is the plan to build a 5- to 10-sq-km free trade zone in the vicinity of the Waigaoqiao harbor. We should take the far-reaching significance of this plan into full account. Deng Xiaoping has pointed out that several "Hong Kongs" should be built on Mainland China. Hong Kong is a free port on which the increased opening up to the outside world of the Zhujiang River valley depends. Not having a ready-made "Hong Kong" in the vicinity of the mouth of the Changjiang River, is detrimental to the increased opening up to the outside world of the Changjiang River Delta and even the whole Changjiang River valley. As to its development prospects, the Waigaoqiao Free Trade Zone (FTZ) should play a role similar to that which Hong Kong plays for the Zhujiang River valley, i.e., as a small "Hong Kong" for the Changjiang River valley. In this respect, we should give the Chinese-invested enterprises in the Waigaoqiao FTZ the same favorable policies and plans as Chinese-invested enterprises in Hong Kong, and allow them to take part in international market competition in a free trade environment. Of course, while a small "Hong Kong" can absolutely not be built for the Changjiang River valley all in one step, since it will have to undergo a long process of gradual development from small and low-scale to big and high-scale in which certain complications may occur, yet our aim should be clear, our strides should be firm, and we should work steadfastly to accomplish it.

As the free trade zone will actually constitute only a small part of the new Pudong Zone, how should the development goals be set for the rest of Pudong? As Shanghai's strategic development goals are to become the largest economic center in China and a great internationalized city, the development of the new Pudong Zone should be focused on speeding up the realization of these goals. What is an economic center? It must have strong economic attraction and radiation capabilities for surrounding regions. The stronger its attraction and radiation capabilities and the wider their scope, the better standing it will have as an economic center. As a great internationalized city, it must have strong attraction and radiation capabilities not only domestically, but also overseas. Moreover, the development of tertiary industries plays a far bigger role in enhancing a city's economic attraction and radiation capabilities than the development of secondary ones. A look at the world's great internationalized cities shows that they all have stronger and far more tertiary industries than secondary ones. Whereas Shanghai's industrial structure is focused mostly on secondary manufacturing industries with less than 30 percent tertiary industries, which is out of line with its strategic development goals. Of course, as China has its own particular national conditions, Shanghai's proportions of secondary and tertiary industries cannot be mechanically compared to those in other great internationalized cities. Yet although revising these proportions can only be a long, gradual process which must not

be done too quickly, we must now begin to give more emphasis to the development of tertiary industries, so that they steadily, quickly, and suitably come to account for a bigger percentage of Shanghai's industrial structure. Thus, when planning Pudong's industrial structure, we should not emphasize the development of secondary industries alone, but should also emphasize the development of tertiary ones, so that Pudong's development helps to rationalize the proportions of secondary and tertiary industries in Shanghai.

Although people usually associate tertiary industries with ones, such as hotels, restaurants, and amusement parks, which of course are also tertiary industries, as far as overall socioeconomic importance is concerned, industries, such as banking, trade, transportation, and communications, should be promoted first. As a new modernized zone, Pudong should undoubtedly have a higher tech industrial structure. Although people generally think of tertiary industries as being labor-intensive, they are actually also high-tech and high-efficiency ones from a contemporary perspective. Having somewhat more tertiary industries, will certainly not lower the technological level of the new Pudong Zone's industrial structure.

Although it is right to say that, as a gateway to China's opening up to the outside world, the new Pudong Zone should be more open to the outside world, how about its domestic openness? Should there be some limitations on this? If there were, they would both be detrimental to China's overall open strategy, as well as running counter to Shanghai's strategic economic development goals. Shanghai became the Far East's greatest influential internationalized city in the 1920's and 1930's precisely because it attracted both foreign and domestic banking and trade forces under its special "concession" conditions. As to banking, it had foreign banks, the "four large" and "four small" domestic banks, a stock exchange, and hundreds of other banks and old-style Chinese private banks. As to trade, it had foreign firms, "Shanghai bankers" in all areas, and many wholesale and retail enterprises engaged in both domestic and foreign trade. Thus, in order for Shanghai to recover and expand its functions as both an international and domestic economic center, it must become more open both to the outside world, as well as to the rest of China. Inland provinces and cities, as well as enterprises with foreign trade management rights, should be allowed to set up foreign trade agencies in the new Pudong Zone, and efforts should be made to entice transregional and transindustrial enterprise groups to set up their headquarters or business sales agencies in the new Pudong Zone. The more inland provinces, cities, and enterprises that invest and set up agencies in the new Pudong Zone, the more foreign investment will be attracted, and vice versa. As the economic development strategy approved for Shanghai by the State Council formally likened Shanghai's strategic status to the center of a fan for opening up both to the outside world as well as to the rest of China, this is especially fitting. As an economic center,

Shanghai must not only act as a fan for opening up to the outside world, but must also act as the center of a fan for opening up to both the outside world, as well as to the rest of China. We should fully consider this point when designing policies for the new Pudong Zone.

As the new Pudong Zone needs to become more open to both the outside world and the rest of China, its relations with all inland provinces and cities, the old city proper of West Shanghai in particular, must be taken into full consideration. This is because, except for the Waigaoqiao FTZ, Pudong (East Shanghai) and West Shanghai neither can nor should be separate from each other. The Shanghai municipal government has announced ten preferential policies, which were approved by the State Council, for attracting foreign investment to the new Pudong Zone. These ten policies, in addition to details yet to be worked out, should be enough to provide a good climate for foreign investment. Making too much of an issue of making policies more preferential may not be wise, because policies which are too preferential are not necessarily helpful in dealing with Pudong's relations with either West Shanghai or inland provinces and cities. It is even more important to emphasize ways in which to practically and effectively implement the preferential policies which are already in place. As to the administration, organization, and management of the new Pudong Zone, setting up a system of management and administration that conforms to international practice and is streamlined, centralized, honest, and highly efficient, would produce a more attractive climate for foreign investment than announcing more preferential policies which would be hard to live up to fully. Therefore, new ways of acting must be insisted on for the new Pudong Zone, and the system which exists in the old city proper of West Shanghai must absolutely not be indiscriminately or completely transferred to Pudong without being analyzed. This is because the fundamental key to the successful development of Pudong lies in changing its economic operation forces. Becoming more open to the outside world means taking more part in the international division of labor and world market competition, and the developed capitalist countries are undoubtedly playing the leading role in the current world market. How to integrate the economic operation forces of the international market economy with those of China's planned commodity economy, is a major issue which must be resolved in order for us to become more open to the outside world and develop an externally oriented economy. As the center of a fan for opening up to both the outside world and the rest of China, Shanghai should play a key role in resolving this issue. Moreover, setting up a new system of management in the new zone right from the start in order to establish new economic operation forces would be much easier than trying to reform the existing one in the old city proper. Doing a good job of establishing a new system of management and putting new economic operation forces into effect in the new zone will be a powerful impetus to reform of the management system in the old city proper. Therefore, the new Pudong Zone should be treated as an experimental

zone for deepening system reform. If this experiment is successful, it will not only be a powerful spur to Shanghai's reforms, but will also have widespread significance for all of China. As reforms and open policy were jointly motivated, and becoming more open necessitates deepening of reform, only a joint, concentrated effort in both reform and opening up to the outside world will achieve good results.

### **Bank Announces Measures To Support Pudong**

HK0612040390 Beijing CHINA DAILY in English  
6 Dec 90 p 2

[By staff reporter Zhang Yuan]

[Text] China's leading savings bank yesterday announced a batch of measures to give strong financial support to construction of Shanghai's Pudong Development Area.

Zhang Xiao, president of the Industrial and Commercial Bank of China, promised a 5-billion-yuan (\$962 million) loan for the Pudong project in the coming five years.

The president made the promise at a ceremony marking the official opening yesterday of the bank's Pudong branch, CHINA DAILY learned from the bank's headquarters in Beijing.

With a starting capital of 200 million yuan (\$38.5 million), the Pudong branch will get a total of 1.5 billion yuan (\$288 million) in the coming five years from its Beijing-based headquarters for development of the area. The remaining 3.5 billion yuan (\$673 million) will come to Pudong directly from the headquarters.

In the Eighth Five-Year Plan period (1991-95), the bank would also provide Pudong with a \$200-million hard-currency loan, she said.

The hard cash would come from relending of loans by the World Bank and the Asian Development Bank as well as part raised by the bank itself.

At the same time, Zhang said, her bank would tap new channels to attract foreign funds by means of establishing Sino-foreign joint financial institutions or buying shares in those financial organizations.

She said the bank would set up a financial building in the Lujiazui financial and trading area of Pudong and carry out favourable policies supporting construction of the area, including providing loans at low interest.

The Pudong project, announced by Chinese Premier Li Peng in mid-April this year, is the largest inland development programme in the country.

The gigantic project, which covers an area of 350 square kilometres, is expected to be completed after the year 2000 and requires a total investment of between 50 and 60 billion yuan (\$9.6 - \$11.5 billion).

Estimates show that in the coming five years, about 25 billion yuan (\$4.8 billion) will be needed to build infrastructural projects and other facilities.

Zhang said that, as the strongest commercial bank in China, her bank would expand its services in all the country's special economic zones in an attempt to open wider to overseas colleagues and speed up its international business development.

The bank would give its strongest support to the Pudong development programme and turn the area into "a brilliant pearl" on the west coast of the Pacific Ocean in the next century, she said.

Hundreds of overseas businessmen have visited Pudong to discuss setting up ventures there, and agreed foreign investment in Pudong is already more than \$4 billion.

### **Qingdao, Yantai Economic Zones Show Development**

*SK1112095090 Jinan Shandong Provincial Service in Mandarin 2300 GMT 8 Dec 90*

[Summary] Qingdao and Yantai Economic Development Zones in Shandong Province have vigorously developed. As of the end of October, the investment in the fixed assets of these two economic zones reached 1.083 billion yuan. The new construction projects covered an area of 982,000 square meters, of which 599,000 square meters were completed. The power, heating, water drainage, telecommunications, and road projects were basically completed. The power substations, water works, and telecommunications buildings were put into operation. Shops and hotels began business in quick succession. Television universities and vocational schools, middle and primary schools, nurseries, and hospitals were established. These two economic zones have also achieved new breakthroughs in the importation of projects. From January to October, they signed 53 contracts on introducing investment from abroad and on establishing lateral ties at home, involving 345 million yuan. Of these, 24 were Sino-foreign joint and cooperative projects, involving \$23.66 million. About 80 percent of the projects in the Yantai economic development zone were export-oriented projects. So far, preparations have been made to build the Science and Technology Garden in an effort to promote the development of high technology industries. By the end of October, 154 enterprises had been commissioned and had begun business in these two economic zones, of which 41 were joint, cooperative, and foreign-funded enterprises. From January to October, the total industrial output value of these enterprises reached 376 million yuan. Of this, 223 million came from the Qingdao development zone, an increase of 36.4 percent over the same period last year, and 153 million yuan came from the Yantai development zone, an increase of 3.9 percent over the same period last year. The Qingdao development zone earned \$23.34 million in foreign exchange, an increase of 114 percent over the same period last year; and the Yantai

development zone earned \$25.96 million, an increase of 36.8 percent over the same period last year.

### **Economists Discuss Coastal Area Economic Cooperation**

*OW1312055790 Beijing XINHUA Domestic Service in Chinese 0220 GMT 12 Dec 90*

[By reporters Zhao Wei (6392 5898) and Lu Min (7120 2404)]

[Text] Shenzhen, 12 Dec (XINHUA)—Some experts and scholars proposed that economic, scientific, and technical cooperation in South China's coastal areas be strengthened to bring the interior along and make it possible for it to have more access to the outside world.

At a symposium on economic cooperation in south China coastal areas, which opened in Shenzhen yesterday, some experts said: Guangdong, Fujian, Guangxi, Hainan, and other provinces and regions along south China's coast, including Taiwan, Hong Kong, and Macao, which are among the most economically developed areas in our country, are called "China's golden coast."

Ma Hong, a famous Chinese economist, said at the symposium: The current trend of economic development in the world is toward regionalization and incorporation. To accommodate ourselves to this new tendency of development, it is absolutely necessary to strengthen further the economic and technical cooperation in south China's coastal areas. Also, it is necessary to increase one another's advantages and offset mutual disadvantages through cooperation among the mainland, Taiwan, Hong Kong, and Macao. By relying on the vast interior of the mainland on one hand and forging close relations with various friendly Southeast Asian countries on the other, we will be in an invincible position in stiff economic and technical competition in the new world economic situation.

In expounding this concept, another famous economist Jiang Yiwei said: A prospect where China is based as one of the economic centers in the Asian-Pacific region is definitely possible. Its precondition is that advantages of the mainland, Taiwan, Hong Kong, and Macao are combined effectively into a unified advantage. In recent years, economic and trade cooperation between Fujian and Taiwan, as well as among Guangdong, Hong Kong, and Macao, has developed considerably. This shows the feasibility of economic association in South China's coastal areas. He said: Our country is building a structure of opening up to the outside world in an all-around way. In addition to the southern coastal areas, another area of our country is being opened to Northeast Asia, mainly to the Far Eastern Soviet Union, the Korean peninsula, and Japan. Still another area, which is centered in Shanghai and linked with other places through Chang Jiang and the Gansu-Shanghai Railway, will become an important area for opening in East China. Areas in northwest and southwest China where border

trade is vigorously developing can be expected to be open to the outside world to a certain extent.

These proposals by experts and scholars have received positive responses from participating responsible persons from Guangdong, Fujian, Guangxi, and Hainan, as well as from the Shenzhen, Zhuhai, Xiamen, and Shantou Special Zones. Scholars and entrepreneurs from Taiwan, Hong Kong, and Macao also enthusiastically responded to such proposals. It has been learned that this symposium was initiated jointly by the mainland's economist Ma Hong, Taiwan's Professor Gao Xijun [Kao Hsi-chun], and Hong Kong's Professor Min Jianshu. Over 120 relevant personages from various provinces and regions in southern coastal areas, as well as experts, scholars, and entrepreneurs from the mainland, Taiwan, Hong Kong, and Macao would express their views on this concept at the three-day symposium.

The symposium was jointly sponsored by the China Comprehensive Development Research Institute and the Shenzhen City Government.

### **Banks Developing Steadily in Shanghai's Pudong Zone**

*OW1412180890 Beijing XINHUA in English  
1648 GMT 14 Dec 90*

[Text] Ningbo, December 14 (XINHUA)—The Shanghai branch of the People's Construction Bank of China has set up business relations with 300 Chinese and foreign-funded enterprises since its establishment three months ago.

The branch, set up on September 7, is the first bank opened in the Pudong development zone in east China's Shanghai Municipality.

By the end of November, the branch had absorbed a total value of 15 million U.S. dollars in foreign exchange bank deposits, and signed contracts to provide loans of 5.2 million U.S. dollars for some state-owned and foreign-funded enterprises.

Pan Buyun, vice-president of the branch, told XINHUA that starting next year, the branch will open businesses involving deposits in foreign exchange, borrowing and lending in foreign exchange (including fixed assets, circulating funds and bank loan transfers), remittance in foreign exchange, settling accounts, as well as guarantees for foreign exchanges, credit surveys on bank business and consultation services.

Beginning in 1992, the branch will open businesses involving exchanging and discounting foreign currencies and bills.

At present, in addition to the construction bank, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the Standard and Chartered Bank, the Hong Kong and Shanghai Banking Corporation, have set up offices in Pudong, the Bank of China, the

Communications Bank and other financial institutions will also set up branches or offices in Pudong.

### **Shenzhen Continues To Absorb Foreign Investment**

*OW1812112190 Beijing XINHUA in English  
0745 GMT 18 Dec 90*

[Text] Beijing, December 18 (XINHUA)—Shenzhen, China's first special economic zone which was established 10 years ago, has absorbed over 3.72 billion U.S. dollars in foreign investment this year.

The PEOPLE'S DAILY reported today that this figure accounts for one-seventh of the total foreign investment in the country.

The daily quoted Li Hao, secretary of the city party committee, as saying that the city has signed 7,481 agreements with overseas businessmen from 30 countries and regions, and has established over 3,000 joint ventures, or co-operative or solely foreign funded enterprises.

Last year the city exported products valued at over 2.17 billion U.S. dollars, and this year's exports are expected to exceed three billion U.S. dollars, according to the daily.

## **TRANSPORTATION**

### **Heilongjiang State-Operated Highway Transport Recovers**

*91CE0076C Harbin HEILONGJIANG RIBAO  
in Chinese 4 Oct 90 p 2*

[Article by Li Zhi (2621 2535): "What Road To Take? Thoughts on How State-Operated Highway Transport Enterprises' Recover From Their Predicaments"]

[Text] China now has more than 90 state-operated highway transport enterprises. Their operational situations can be divided into three parts: one-third are profit-making enterprises, one-third are nonprofit, and one-third are operating at a deficit. How can these last two thirds extricate themselves from their predicament?

#### **Accurate Self-Knowledge**

Since the onset of reforms, enterprise unification of state-operated transport throughout the entire nation has been broken up. State-operated, collective and individuals have all benefitted in a flourishing transport market. But the market is undergoing some changes now, and some of the older enterprise "bosses" are in a situation of hoping for a restoration of "independent transport." Zhao Yang [6392 7122], Director of the Heilongjiang Department of Transportation, holds a different opinion. Speaking at a recent all-province conference of transport enterprises, he observed that some enterprises are guilty of incorrect management thinking: they put the

blame on everyone but themselves, placing their hopes on that kind of independent operation and policies which make restoration of the old system a certainty. This is an impossibility. The realities of the transportation situation won't permit it either. This is because in the totality of highway transport, state-operated passenger transport can satisfy only 60 percent of market demand, and freight shipping even less. It is natural that there are other wise men who are responding with some very convincing practical arguments. Huanan county's private transport entrepreneurs lead the province's transport enterprises in vehicle departures. How does Feng Guoying [7458 0748 5391], Manager of the Hua Transport Company, view the situation? He believes that the good position of the private entrepreneurs being at the forefront will allow us to expand competitiveness of the workers, forcing us to do a good job. Actually, their days really pass very well.

Similar enterprises, similar conditions: why is it that some enterprises climb, and some find things increasingly difficult? They should initially look to themselves for reasons, beginning with management, seeking the road under their own feet.

#### Top Quality Service Is the Way Out

What road to take? Chen Kunquan [7115 2492 0356], Assistant Director in charge of shipping at the Heilongjiang Department of Transportation, has this opinion: if we are to make maximum use of state-operated enterprises' central leading function, and capture the competitive market, they must rely on top-quality service.

Prior to 1988, the Hulin County Transport Company's annual profit fluctuated around 20,000 yuan. This small county transportation firm on the frontier has during the last two years restored, opened up or extended eight passenger lines covering more than 400 km; six of these lines enter the city early and return to the countryside late. While filling the needs of the masses, the enterprise's benefits have risen steadily. The Nenjiang County Transport Company, an enterprise which this year "could overcome frozen lines to satisfy," has for these past two years relied upon top quality service to go from deficits to profits.

When service of the highest quality is joined with the superiority of state-operated enterprises, it is very powerful. The Qiqihar Transport Company is a shipping firm. Under present conditions, where the market for shipping freight is even more intensely competitive than that for passengers, it has gained a firm foothold through top quality service. At one time, the No. 1 Heavy Machinery Plant had seven trains which could not carry large parts to the Benxi Steel Company within 15 days. This company would lose upwards of a million yuan if it took a day over that. The original plan was to make two shipments. The first trip was delayed because of rain, so in a situation where only six days were left for delivery, and larger trains could not return, the company that very

night added two East Wind trains with an accompanying contingent of the company's assistant managers. Traveling both day and night, they finally arrived two hours ahead of schedule. The steel company awarded them 10,000 yuan. The transport company has now concluded a perennial shipping contract with the Fulaerji Textile Plant, and in addition will act as the plant's agent, sending and receiving goods directly from the train station. It has also signed contracts or memoranda of intent with the No. 1 Heavy Machinery Plant, Vehicle Plant, Boiler Plant, Machine Tool Plant and other consumers. Their supply of goods is assured.

#### A Variety of Operations Can Open Up Sources of Financing

State-operated transport enterprises all have a historically lingering problem: too many people. Some transport enterprises have 20 people "absorbed" by one railway car, so how do they spend their days? The economic hardships can easily be imagined.

If transport enterprises are to exist, if they are to develop, they must find some "assignment" for these redundant people to perform. It looks like this must be the route to take. During the period January to August of this year, the Muleng County Transport Company realized 670,000 yuan in profits, of which 270,000 yuan came from passenger transport, and 400,000 yuan from sidelines. This company conducted research on how to bring their sidelines into the company's overall developmental strategy, then formulated a simultaneous development policy of "transport, industry and trade." They decided to close down some slumping subsidiary enterprises, and last year began operating a bath towel plant, rapidly designing and producing bath towels. In less than a year, their product was being marketed nationally in 24 provinces, municipalities and self-governing regions. This is how their problems were resolved.

Another excellent example is the Zhaoyuan County Transport Company. This small scale enterprise used to have an average of 15 people "absorbed" by one railway car, with losses for many years. In recent years they have relied on varying their types of operation as a way of coping with their difficulties. They have been jointly operating a small oil refinery with other provinces, and after drawing benefits from that, they opened six more small enterprises, including a motor vehicle parts store and a hotel. All have been profitable, so that the sidelines supplement the principal enterprise.

It is obvious that the difficult road travelled by state-operated transport enterprises is the one under their own feet.

#### Effectively Utilizing New Eurasian Continental Bridge

91CE0076A Beijing JINGJI RIBAO in Chinese  
12 Oct 90 p 3

[Article by Li Zhenyang (2621 2182 2254): "Reflections on Making the Best Use of the Second Eurasian Continental Bridge"]

[Text] This year, on 1 September, there was a ribbon cutting in Longhai—opening to traffic the Lanxin Railway's westernmost section, which is being constructed along the northern border running from Urumqi to A-la Shan-k'ou Pass. The railway recently joined its tracks with those of the Soviet railway, and estimations are that there will be Sino-Soviet rail service on this line sometime in 1992. The second Eurasian continental bridge has been built. This continental bridge starts in the east at Lianyungang in China, and extends in the west to the world's largest port, Rotterdam in the Netherlands. It will stretch across the Asian and European continents, and pass through China, the Soviet Union, Poland, Germany and the Netherlands, with more than 20 nations and areas in its radius. It is predicted that the continental bridge will be comparable to the first Eurasian continental bridge, the Trans-Siberian, while reducing the total distance by 2,000 to 2,500 km. Going from Lianyungang to Western Europe will be some 20 percent cheaper than shipping via the Indian Ocean, and will save approximately 50 percent in shipping time.

The building of this continental bridge will have strong effects both here and abroad. Various study and discussion groups are currently meeting throughout the nation to open up a dialogue on "the bridge" and how to make the most effective use of it. A succession of visitors from every region and province of China are coming to Xinjiang to make their on-site inspections, in hopes that the establishment of this Xinjiang "window" will help their own economies take off. "Bridge fever" is quietly sweeping the country. Taking fullest advantage of the bridge will in the future have a massive influence on China's opening to the outside. And yet, at the same time, we are so "feverish" we should also make a sober analysis of the problems and difficulties linked with the continental bridge, and then take precautions and plan countermeasures so that the continental bridge will truly become an artery linking the Pacific and Atlantic Oceans.

How fully the railway is used depends first upon determining its transport capabilities; that is, how much of an international shipping mission it can handle. If a route does not go through unimpeded, its use is extremely limited. But at this late hour, we are still unclear as to the railway's situation when it gets beyond China's borders. Take the domestic situation: on the Lanxin route, there are many "bottleneck" sections. The annual shipping capacity of the Wu-Wei to Tulufan section is 12 million tons; but Xinjiang needs to ship 14 million tons of goods and materials to the interior of China annually and the interior regions must annually ship 4 million tons of merchandise to Xinjiang, so it becomes obvious how much capacity the route will have for international shipping missions. No wonder some people believe that the second Eurasian continental bridge will not come into full play until after building the Wu-Wei to Tulufan railway multiple track line. However, completion of the multiple track is still unscheduled. If there are some bottlenecks along the foreign sections of the railway, then the artery's near term use will be even more limited.

The second Eurasian continental bridge will traverse five nations other than China, and in addition to the railway's shipping capacity, the degree to which its use can be fully realized is very closely related to these nations governmental and economic status, and their international relationships.

As it looks now, due to ineffective information, and there is not enough collecting, study and collating of information, so we lack real understanding, analysis and research regarding what can be shipped from the west, and how much, or what and how much can be shipped from the east; a scientific program is lacking.

When it comes to running a transport operation, the second Eurasian continental bridge is in competition with the first. It is true that the second bridge is shorter in distance than the first, and its starting port of Lianyungang is not subject to climatic seasonal effects. But it is also true that the first Eurasian continental bridge has many years experience running a transport operation and perfecting its service facilities. It also has a group of stable guest houses, and can make use of these superior facilities to expand their transport capacity. At the same time, because a long segment of it lies within the borders of the Soviet Union, to protect its own income from transport, the Soviet Union could adopt measures aimed at protecting the first Eurasian continental bridge and restricting the second. This would make it difficult for the second Eurasian continental bridge to rapidly and easily raise its shipping capacity and develop its transport service.

A great many people are hopeful that completing the continental bridge will be a breakthrough in developing trade between the Soviets and the East. However, there has to be very good research and proof to determine how great is the potential for cooperation in this area. For example, for many years now, China and the Soviet Union have all along carried out barter trade; in this model, under conditions of tight foreign exchange, it was easy to accept. But in the final analysis this is a primitive trade model: if the quantity, variety or price of goods cannot be worked out, then it is very hard to strike a deal, and development of trade is very restricted. The two nations have decided that starting next year, they will change the original escrow barter trade to spot exchange trade. After this change, the two sides both must participate in the competition and cycles of international markets. Because the two sides lack spot exchange, they will have to adjust their commodity structure to do their utmost to raise foreign exchange through exports. In the case of the Soviets, such material-type products as nonferrous metals, lumber and steel have definite competitive strength in international markets, and can be sold for spot exchange. In China's case, commodities which can earn foreign exchange are marketed for the most part in the United States, Japan, Western Europe and Southeast Asia, but a great many of the products we export to the Soviet Union lack the necessities for earning foreign exchange, and thus lack

market competitiveness. The two sides' exchange commodities all tend toward western markets, with the result that spot trade in its first stage would appear to be beneficial to us. At the same time, we must also note that Soviet and eastern markets are by no means a blank sheet; we still will be confronted there with the competitive power of the western nations. Therefore, we cannot be sanguine about the continental bridge opening up the Soviet and eastern markets. While we will be aided by the continental bridge's beneficial circumstances, there is a great deal of arduous work still to be done if we are to make a genuine breakthrough to these markets.

### Road, Water Transport Operations Improves

91CE0076B Beijing JINGJI RIBAO in Chinese  
13 Oct 90 p 1

[Article: "National Highway, Waterway Transport Situation Improves Daily: Rectify Bullies, Check Bribery, Stop Leaks, Control Disorder"]

[Text] For a time, highways and waterways everywhere were rife with "commodity bullies," or "commodity pirates." Now, some of these have been suppressed, and some have been set on the right road through education. In the past year, this has been an important part of the work of the Ministry of Transportation's in controlling and rectifying China's highway and waterway shipping markets.

In February of last year, the Ministry of Transportation began a program of control and rectification of the nation's shipping market. Up to now, inventories show that nationally there was a total of 58,000 unregistered operators of highway shipping enterprises, operating 62,000 passenger vehicles; they also showed 2,296 unregistered operators of waterway shipping enterprises, operating 3,002 craft. At the same time, a national inventory turned up 47,500 "privately registered, publicly advertised" motor vehicles, and 3,642 boats. Through this inventory, the state was able to pursue more than 100 million yuan in evaded tax revenues. After every area had carried out critical education of the unregistered operators and the latter had made remedial tax payments, the operators were given assistance in starting and managing enterprises and in transportation procedures, so that only about four percent were banned from shipping due to lack of qualifications.

This rectification which was organized by the Ministry of Transportation was conducted with each area's unique conditions in mind, and took a great deal of work. Shanxi dealt with the situation publicly, by seizing some major and important cases, and outlawing some "commodity bullies" and "commodity pirates" who were monopolizing the sources of goods, and dominating the market through deceit. Beijing resolutely carried out a major check up of bills to seek out and fine violators in the amount of more than 400 million yuan. Henan, by working from top to bottom to "rectify bullies, check bribery, stop leaks, control disorder," rooted out 620 of

these commodity bullies, and 1,680 cases of bribery. Zhejiang uncovered 112 cases of scalping steamer tickets, basically putting to end all black market activities involving ticket scalping.

Since rectification of the transport market, the highway and waterway transport situation and operational process have been improving daily nationwide, and the general mood of the industry has improved. Henan has arranged a series of shipping contracts that is now at 80 percent of the total capacity for shipping goods and materials. Beijing is pushing forward contracts with 75 major points for supplying goods, arranging for the planned management of more than nine million tons of goods. This is a major coordination of production, supply, shipping and sales. In water transport, waterway shipping enterprises, which are under the central authorities and the provinces, are being promoted on two levels in equilibrium; at present, every province and municipality is strengthening the comprehensive balance, and planned management of key goods and materials from both their own localities and overall, promoting contracted shipping positively.

### PRC MEDIA ON FOREIGN ECONOMIES

#### Lessons in Tax Reform From Capitalist Countries

91CE0059A Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 9, Sep 90 pp 17-23

[Article by Huang Su (7806 5685), World Economics and Politics Institute, Chinese Academy of Social Sciences; and Xiao Chen (5135 3819), Central Finance and Banking Institute; responsible editor Zhang Baozhen (1728 1405 3791): "Tax Reform in Developed Capitalist Countries During Eighties"]

[Excerpts] [passage omitted] In the postwar era, after the economy of the Western countries developed smoothly in the fifties and sixties, around the beginning of the seventies it entered a dismal period. In the eighties, by dint of hard struggle, one country after another recovered, and worked hard with a new posture to restore its economy, welcome the nineties, and vie with other countries in the 21st century. Tax reform was one of the important steps taken by the Western countries in the eighties to readjust comprehensively their production relationships. One country after another switched from the Keynesian "incentive-guided model" tax system to the new "market-guided model" tax system. The large extent of the reform and the broadness of its scope had seldom been seen in the tax history of the world. As of now, at least 60 countries (including China) have been drawn into the tide of worldwide tax reform. This tax reform, which is replete with results, has already had a distinct effect in bringing about a favorable turn of events in the economy of each of these countries, and it will have a major, far-reaching influence on the international economic structure. [passage omitted]

#### IV. Inspiration From Worldwide Tax Reform

Tax revenue is an important means for a socialist country to macroregulate its economy. To improve and perfect China's tax system, we can draw a certain amount of inspiration from worldwide tax reform.

The history of the evolution of the tax system in all countries, particularly the reform in the eighties, shows: The evolution of the tax system is, in general, first a dependence on giving priority to customs duties and other indirect taxes, and then a gradual switch to a dependence on income tax and other direct taxes. Afterward, the dependence on direct taxes changes to the laying of equal stress on both kinds of taxes or of being partial to indirect taxes. Before the eighties, the prevalent theory on tax revenue held that the proportion of income tax, particularly individual income tax, in the total tax revenue was an indicator for judging whether a tax system had been modernized. The direction of tax reform in the eighties required that this traditional viewpoint be corrected. For many developing countries, including China, this correction had practical significance. Because of the situation in the world economy that now confronts the developing countries is much different from what it was when the economies of the developed countries took off, the question of whether the developing countries now should change the tax system as the developed countries once did is worth studying. Does the following possibility exist, namely, bypassing the stage of raising the proportion of direct taxes and going directly into a modernized tax structure in which indirect taxes are given priority or in which the two kinds of taxes are given equal stress?

The individual income tax has not existed in China for a long time. Although in the early eighties China began to levy the individual income tax, its effect and its role could not be compared to those of the capitalist countries. Actually, in China individual income (mainly wages, bonuses, and subsidies) does not include unemployment insurance, medical insurance, housing funds, culture and recreation funds, and public transportation funds. In other countries there are direct taxes that put these monies into public and insurance funds. In China before the various wage criteria and the national wage fund is determined, deductions are made. The monies thus deducted are kept in the State Treasury or in enterprises as public welfare funds, and public departments make overall plans for their use. For a large but poor socialist country, this practice is both necessary and superior. However, in it there also exists the problems of being unable to satisfy different consumption biases well, being detrimental to arousing the worker's individual initiative, and causing serious waste—problems that await a gradual solution. Moreover, if we only look at how low China's individual income tax is, onesidedly stress how high the proportion of the individual income tax and other direct taxes is in foreign countries, stop at the criteria for modernization of the traditional tax system, try onesidedly to follow the practice of foreign countries, and raise the proportion of direct taxes, then it

is very likely that we will cause China to take a detour in tax reform. Actually, because of the restrictions of all sorts of objective factors, for a considerably long time it seems to be infeasible for China to make a big increase in the individual income tax and in the wage tax. Therefore, how to carry out a tax reform with distinctive Chinese features and make China's tax system approach, as fast as possible, the level of international modernization, is an urgent problem facing the great number of financial and economic tax experts and those actually working in these two fields.

As for reform of the corporate income tax, in the front of the tide of worldwide tax reform is the market-guided model. Tax measures that intervene in the administration and the economy, such as incentives, preferences, exemptions, and deductions, are becoming the targets of reform. For developing countries that make the market economy their foundation, in following this tide there do not seem to be obstacles that are difficult to overcome; but for socialist countries that make the planned economy primary, especially China in which market growth is fairly slow, there are many obstacles. First, in the main the owners of large enterprises and the tax collectors are merged into one entity, namely, the state. This causes the contention over the tax rate between the two sides of collection and payment to lose its essential significance, and the tax rate cannot provide the lasting effect of stimulating the economy. Under circumstances in which price mechanisms cannot yet independently play the dominant role, this situation is especially true. Therefore, before the problem of our enterprises' instruments for driving power and pressure is solved, it is difficult to essentially change the status of the corporate income tax rate and tax base, and even to essentially change the method of converting profit into tax. Even if it is in the aspect of restraining the enterprises' short-term behavior and in the aspect of guaranteeing government revenue, particularly the central government's revenue, it cannot be said to possess important significance. Looking at the economies of all countries in the world, we see that it is still difficult for the market-guided model tax system, in its current stage, to display its ideal effect. In encouraging the market-guided model, there are indications that it will be difficult to maintain for long bonuses, preferences, subsidies, pretax loan repayments, and profit contracts. Another important problem facing us is how, while combining the two models, to choose effective ways for collecting the corporate income tax that are suited to China's national condition, and to have these ways take their appropriate position in the tax system as a whole.

The tax reform in various countries shows that more and more countries are getting good results from trying out the value added tax. In the eighties China also tried out the collection of the value added tax. In China, following the gradual expansion of the scope of increase revenue from the value added tax and the change in the burden of the value added tax, the effect of the value added tax on revenue is gradually drawing the serious attention of

financial experts. The trial practice over the past several years shows that the value added tax can solve fairly well the problem of duplicative taxation. This will be beneficial for effecting lateral economic unity and for balancing the tax burden on import and export commodities, and will also be beneficial for guaranteeing the state's revenue. However, it will also bring some difficulties to computation and a series of problems that are difficult to deal with, such as the lowering of the tax burden, difficulty in distinguishing wholesale and retail goods, and existence of enterprises that are both industrial and commercial. An important task in China's tax reform is how to sum up experiences, expand experimental points, and promote the value added tax throughout the country. The relationship between the value added tax and China's national condition, the position of the value added tax in the development of China's strategy of indirect taxation, the putting into practice of a complete set of reform measures, and so on, are questions worthy of thorough study. In brief, when conditions for promoting direct taxes to effect rapid mobilization are not yet ripe, to concentrate forces on reforming indirect taxes and on putting into practice the value added tax, which has a fairly strong neutral nature, would be a comparatively practical and reliable way for China to go.

## AGRICULTURE

### Fees, Taxes on Southern Timber Farmers Analyzed

91CE0066A Beijing ZHONGGUO LINYE  
[FORESTRY IN CHINA] in Chinese No 9, 17 Sep 90  
pp 44-45

[Article by Wu Xinguo (0702 1800 0948): "A Perspective on Fees and Taxes in Southern Collective Forest Districts, and Suggestions for Administering Them"]

[Text] Recently the author participated in the Joint Survey Group, organized by the State Administration of Taxation Bureau and other concerned departments and headed by Vice Minister of Forestry Xu Youfang [1776 2589 5364], which conducted a survey of current fees and timber farmer incomes in some cities and counties in Guangxi and Jiangxi. The general situation is this: Since 1985, when negotiated buying and selling of timber went into effect in southern collective forest districts, timber farmer incomes have increased correspondingly, living standards have improved, and enthusiasm for afforestation and mountain planting projects has grown. However, many departments and units, heedless of actual financial capacity, have adopted direct and indirect methods that indiscriminately apportion expenses and fees and aggravate the burden on timber farmers.

#### I. A Perspective on Current Fees in Forestry Districts

According to our survey, at the time when centralized timber distribution went into effect, Jiangxi generally collected only income and product taxes from timber

farmers. In 1985, after negotiated buying and selling of timber was instituted in the southern collective forest districts, taxes and fees gradually began to increase and some apportioned items also grew more and more detailed. According to partial data available, there are now 35 kinds of taxes and fees on timber farmers in Guangxi and 42 kinds in Jiangxi. The primary ones are as follows:

1. State prescribed taxes and fees: (1) Taxes include a product tax, a business tax, an education surtax, an urban maintenance and construction tax, and an agricultural and forest specialty product tax. (2) Fees include a seedling fund fee, an alteration fee, a forest administration and management fee, a forest district management and construction fee, a quarantine fee, and a market management fee. These are commonly called the "five taxes" and the "six fees."

2. Industry fees: There is a forest resource compensation fee, a forest industry base fund fee, a forest protection and fire prevention fee, a public security fee, a river route (highway) maintenance fee, an industry and commerce fee, a comprehensive railroad services fee, a rail-car labor fee, and a site cleanup fee.

3. County and township fees: There is a fee retained in advance for renewing forestry resources, a land contract fee, a reforestation fee, a township and town repayment fund fee, a technological development fee, a felling quota fee, and a disabled servicemen and revolutionary martyrs aid fee.

Some of these taxes and fees are collected by forestry departments; some are collected by tax departments, industry and commerce departments, and finance departments; and some are collected by other government departments.

Of the above taxes and fees, only 11 are state prescribed, and the vast majority of the rest are extra taxes and fees established by localities acting autonomously. Thus, many fees are enough to make timber farmers feel thoroughly fed up and inclined to resist. They cannot keep straight just how many kinds of taxes and fees they must pay after selling their timber, or to whom they must pay them. They feel as though they must pay everywhere they go, and that every office is a fee-collecting setup. Not only has this affected the profit relationship between the state and the timber farmers, it has also seriously affected good will between them, tarnished the state's image, and dampened enthusiasm for reforestation among timber farmers.

#### II. A Perspective on Income Distribution

Income distribution directly affects the economic interests of the state, the collectives (management departments), and the timber farmers. Based on this survey, we can cast some light on the following areas and from the following different perspectives:

—Income distribution and the tax and fee situation viewed from the perspective of timber prices: According to figures on timber prices in seven major counties in Guangxi and Jiangxi, in 1989 the average actual selling price of lumber was 439.17 yuan per cubic meter. This price breaks down as follows:

The timber farmer's procurement price was 138.59 yuan, or 31.56 percent of the selling price.

The various taxes and fees amounted to 229.60 yuan, or 52.28 percent of the selling price. (State taxes took 49.10 yuan, or 11.18 percent; special funds collected by the timber industry accounted for 89.16 yuan, or 20.3 percent; and fees collected by other departments amounted to 81.34 yuan, or 20.8 percent of the selling price).

Timber industry freight and miscellaneous expenses accounted for 15.17 yuan, or 3.45 percent of the selling price.

Management department revenue totalled 55.81 yuan, or 12.71 percent of the selling price.

—A deep-level analysis of timber farmer income and receipts: According to a survey of a certain county in Jiangxi, in 1989 timber farmers earned the following amounts per cubic meter of lumber sold: For standard China fir (second quality lumber measuring 8-10 m x 16-20 cm) the procurement price averaged 231.44 yuan. This included deductions of 20.37 yuan for the agricultural and forest specialty product tax (figured at 8.8 percent of the procurement price), and 20 yuan for rural and mountain sector accumulation, 15 yuan for reforestation, 12.5 yuan for population distribution, leaving an actual income of 163.57 yuan. For standard pine (second quality lumber measuring 4-5 m x 20-28 cm), the sale of one cubic meter yielded 86.89 yuan after the above fees were deducted.

—A look at timber farmer income through an entire production cycle: A typical survey of the forestry bureau in a certain prefecture in Guangxi reveals the following: From planting to near final felling time (calculated at 20 years) each mu of China fir requires a minimum input of 129 yuan (13 yuan for nursery stock, 35 yuan for soil preparation, 5 yuan for staking trunks, 70 yuan for forest protection, and 6 yuan for incidental expenses). In addition, at felling time the timber farmer must pay minimum labor costs of 55 yuan per cubic meter (10 yuan for felling, 15 yuan for removal of branches and cutting into lumber, and 30 yuan for removal from the mountain). Taken together these two inputs constitute an absolute minimum of 87.25 yuan per cubic meter of lumber. According annual regional statistics for 1989, the average procurement price for standard pine lumber was 214.22 yuan per cubic meter. Through an entire production cycle, then, the timber farmer earns  $(214.22 \text{ yuan (the procurement price)} - 87.25 \text{ yuan (the minimum input)}) \times \text{an average 4 cubic meters of lumber produced per mu/20 years (the production cycle)}$ . That is,

he earns  $(214.22 - 87.25) \times 4/20 = 25.39 \text{ yuan/mu/year}$ . For pine he earns only 19.5 yuan per mu per year.

—A look at the income distribution situation from the perspective of the timber circulation process; using figures for China fir taken from a certain county in Jiangxi in 1989, the selling price was 599.29 yuan per cubic meter. The distribution ratio was as follows: the timber farmers' procurement price accounted for 159.48 yuan, or 26.60 percent of the selling price; the villages took 67.25 yuan, or 11.2 percent; forestry industry outlay accounted for 133.35 yuan, or 22.3 percent; industrial and commercial departments got 5.99 yuan, or one percent; county revenues amounted to 105.18 yuan, or 17.7 percent; and lumber management departments took 127.41 yuan, or 21.2 percent.

The situation described above demonstrates that timber income is currently distributed very unfairly. After the timber farmers labor assiduously and expend considerable material, financial, and labor resources, they cannot get a fair price in compensation.

### III. A Perspective on the Reason for Excessive Fees

Based on this survey and analysis, the primary reasons for excessive, indiscriminate taxes and fees that lower timber farmer incomes are as follows:

1. We administer through too many different departments, collect fees in every possible way, and apportion the burden indiscriminately. For example, the state has stipulated taxation through the departments of forestry, public finance, taxation, industry, and commerce. At the same time, the localities all collect similar taxes and fees based on the state tax model. They may even arbitrarily add to the list of taxes and apportion them among the timber farmers. For example, in addition to seedling funds for developing forestry, many localities add reforestation funds, funds retained in advance for renewal of forest resources, and so forth.

2. The proliferation of households engaged in the timber business, competition for profits, and embezzlement from timber farmers, as well as the weak market, have also forced procurement prices down.

3. When there has been organizational expansion, growth in personnel, or shortages of funds, we have looked to the timber industry to pay for it. For example, in 1987 a certain county in Jiangxi planned on using 170 workers in a certain facility, but by 1988 that number had increased to 360 workers and the budget had grown from 300,000 yuan to 1.2 million yuan. These funds were directly and indirectly transferred from the timber industry. Timber has become an economic prop to support people.

4. Reapportionment of public finance responsibilities has led the localities to pursue new sources of revenues, regularize financial resources, and pour money into small local treasuries. This has increased the burden on

management departments and damaged the interests of both timber farmers and consumers.

5. Inspection and supervisory departments have been unable to enforce the law conscientiously or to prevent indiscriminate fee collection.

#### **IV. Suggestions for Revising Taxes and Fees To Alleviate the Burden on Timber Farmers**

Readjusting taxes and fees has a direct effect on timber farmer incomes and is one way to raise them. However, even more important is the fact that it is a practical reflection of our effort to relate the Sixth Plenary Session of the 13th CPC Central Committee to the masses and to do something good for the people.

In the effort to alleviate the burden on timber farmers and clean up the indiscriminate collection of fees and apportionment of expenses, the CPC Central Committee, the State Council, and various other departments concerned have issued repeated injunctions and explicit orders and prohibitions, all to little avail. Our survey indicates that if we truly wish to embrace the spirit of these efforts, the whole society must work together and the party, the government, and the various departments must be resolute. To this end we make the following suggestions:

1. The state must take the lead in revamping, reorganizing, and simplifying taxation by cutting superfluous items. Tax legislation must be streamlined so that timber farmers can understand it. As for tax collection, to reduce the number of links in the tax payment process it would be best for the responsibility to revert to forestry departments alone.

Right now what is strongly reflected in many localities is that it is duplicate taxation to apply both a product tax and a forestry specialty product tax to timber. We suggest that the state departments concerned reconsider this matter and apply only the product tax, while deleting the specialty product tax on logs.

2. As for the problem of excessive, indiscriminate fee collection at intermediate stations on the way to market, the focus of cleanup and reorganization efforts should be on those intermediate links, especially at the county and township level. First of all, based on the principle of appropriate centralization, we should centralize tax legislation, collection criteria, and administrative jurisdiction under the provinces (or prefectures). The localities must not be permitted to cut in covertly or without authorization. Second, we must establish a tax collection licensing system and draft regulations on penalties. Third, we must be conscientious about enforcing the financial accounting system. We should accept supervision from supervisory, auditing, and other relevant departments and subject tax collection to greater scrutiny.

3. In key forestry regions we must establish a system of timber management featuring single-family procurement and sole management by forestry departments. This will prevent the competition among multiple family operations that drives prices up or down, thus keeping enthusiasm high among timber farmers.

4. We must strengthen timber price management. According to our survey, when supply and demand have not balanced out and overheated economic development and inflation have occurred, many forestry regions have failed to enforce the state-fixed price controls, and timber prices have run out of control. In the current weak market, they have also failed to supply the correct guidance and the necessary macroeconomic regulation and control, so timber prices have been buffeted from all sides. We suggest that, based on state price controls, the provinces (or prefectures) should formulate principles for regulating and controlling prices, and the pertinent county departments should then set and implement specific prices.

5. We must put a protected price into effect to safeguard timber farmer incomes. We suggest that the timber procurement price must comprise 45 percent, or, at minimum, 40 percent, of its selling price.

### Car Viewed as Symbol of Status, Authority

91CM0097A Shanghai QINGNIAN BAO in Chinese  
16 Nov 90 p 4

[Article by Zhou Guandong (0719 7070 2639) and Chen Youjie (7115 1635 2638): "Chinese Officials Used To Ride in Sedan Chairs, But Now Travel by Car, Both of Which Are Means of Riding Instead of Walking, Yet Neither Has Cast Off the Shades of Feudalism—We Commoners Who Go by Bus Can't Help But Exclaim, 'A Car! A Car!'" ]

[Text] Although the car is a quick and convenient modern means of transportation that replaces walking, it has certainly not had a very good reputation in the PRC in recent years. Some have magnanimously but with some indignation nicknamed it an "exhaust-emitter." Why is this? As we listen to the following stories, the answers to this question will become readily apparent.

#### An "Exhaust-Emitter" Is a Symbol of Power and Influence

This is the first answer that we found.

A certain senior district-level official encountered the following situation: He received a notice that he was to attend a meeting at a hotel. The notice was so urgent that he rushed off to the meeting on his bicycle without even shaving or changing his clothes. However, he was stopped at the hotel driveway, where he explained his presence and produced his papers, all to no avail. When he demanded that his presence be phoned up to the meeting place, he was told that there were no seats left! Meanwhile, occupants of one car after another were passing him, moving unimpeded into the hotel driveway, without having to explain their presence or produce their papers. Being temporarily frustrated, he simply lit a cigarette, leaned on his bicycle, and stood quietly at the end of the hotel driveway. When the person impatiently sent by the meeting chairman to search for him had finally found him at the end of the hotel driveway and was ushering him in, he asked "Why didn't you come by car?"

Another senior district-level official usually would rather pedal his "old tank" than ride in an "exhaust-emitter," but whenever he went out for "talks" or "agreement-signings" he would invariably take a car, and always specified "the best car." Although this may sound really strange, once he put on airs by taking an "exhaust-emitter" to the "talks" and "agreement-signings," the other district leaders spoke in a much different tone, his hosts' attitudes became much more courteous, and the work often went much more smoothly.

Hearing the "tales" of these two senior district-level officials makes us exclaim, "State-provided cars have become symbols of power, influence, and status in some people's eyes!" Moreover, the attitudes of these two senior district-level officials call forth a feeling of profound respect. One would rather smoke a cigarette and

stand quietly than yield, and the other took a car to work with a practical approach, and used a peculiarly humble sense of humor to ridicule and mock snobbishness. Who could resent their riding in "exhaust-emitters"?

However, their attitudes certainly do not prevail everywhere! There was a 40-plus-year-old cadre in a certain area, a department chief, who had "pulled" himself up grade by grade like a stalk of sorghum. The very first day after being promoted to a one-step higher grade, he sat at home like a Buddha waiting for a car to come to take him to work, and would not move unless it did. Once he became an official, he would not go out unless he had a respectable "sedan"! Another cadre who had just been promoted to deputy director of a bureau already had his eyes fixed on the make of car that he wanted. When the office assigned him a "Shanghai" brand car, he angrily asked, "Why assign me this make of car?" He seemed to think that a car made in China is simply a noncar that would dishonor his status as a deputy director!

Although some people and certain cadres may think that it is "right" for an "exhaust-emitter" to be a symbol of power and influence," hearing the above stories does not allay our resentment. Why should cars assigned by the state to cadres for official use be used as tools by certain people to flaunt their status, put on airs, and show off their power and influence?

#### An "Exhaust-Emitter" Wastes Vast Amounts of Money

This is the second reason that we have found for people's resentment about cars in recent years. This so-called vast waste of money refers both to the extravagant spending by some cadres to acquire stylish and comfortable cars, and also to the ignoring by others of laws and regulations, coming up with all kinds of pretexts, and violating tax regulations to acquire cars. Their methods can be roughly summed up in the four categories of "leasing," "compensation," "transferring," and "borrowing."

What is "leasing"? A certain factory's inability to get a car assigned to its director in line with either his importance, his "qualifications," or his actual needs, was causing him a general loss of face. He had such an "unendurable craving" for a car that he was unable to contain himself. So he took "economic steps" to resolve the issue, by throwing away 3,000 yuan a month of public funds to lease a car to take him to outside activities and back and forth to work. Although another district-run enterprise was already assigned a car, its director dislike not having a specially assigned one for his personal use. So he simply leased a car by the year for his personal "flexible use." Another small "tertiary industry" factory with only a few personnel also actually leased a "taxi" for 5,000 "great unity" [10 yuan] bills a year! The wealth created by workers' sweat thus magically vanishes through "exhaust-emitters" "leased" by individuals.

What is "compensation"? A very reputable large factory had done a number of "rush jobs" for one of its subsidiaries in another part of the PRC. Although the "jobs"

had been finished and the bill of over 200,000 yuan had been paid as usual, the large factory actually valued a car more than it did the money. Consequently, the subsidiary bought a Shanghai Santana, put its own license plate on it, and proudly drove it into the large factory's garage, after which the factory leadership found "exhaust-emitting" much more convenient.

Another such unit was discussing equipment imports with a foreign businessman. As the talks progressed, someone actually went so far as to suggest that an additional piece of "equipment" be added to the imports, i.e., that the foreign businessman give the unit a car as a gift. The "foreign businessman" was neither stupid nor an amateur and was not taken aback, but responded very "shrewdly" that this could be considered if the talks were successful! The deal was made. The car was imported along with the other equipment. Both parties understood quite clearly that the car had been included in the cost of the imported equipment, to the penny! Although someone characterized this lightly as simply pulling the wool over one's eyes but still paying for what you're given in the long run, who were the real "suckers" in this case? They were the working people who had sweated and toiled!

Although the so-called "transferring" method may sound unbelievable, it actually happens. A certain township formerly had a fleet of 10 taxis. When the township was redistricted into the city proper, its leadership suddenly developed "a new way of thinking," dissolved its fleet of taxis on the spot, and "collectively transferred" the 10 cars to various departments. How big should the administrative outlay have been for a township-level organization of only a little more than 30 people to "acquire" such a large fleet of cars all at once?

Finally, what is this matter of "borrowing" all about? Despite the vulgar saying that "long sleeves help in dancing just as ample capital makes it easier to trade," some unit leaders who want cars assigned to them beyond quota or fund limitations, find it possible to flourish their long sleeves of power and hold out their hands to their subordinates. Although a certain unit was authorized only three cars for personal use by its top three people, it had six "chiefs." So what did it do? It flourished its "long sleeves" and "borrowed" three cars from its subordinates for a long period of time! When higher levels use and waste the goods and money of the lower level, no sacrifice is too great as long as an "exhaust-emitter" is acquired!

#### **An "Exhaust-Emitter" Is a Personal Convenience**

This may be the most important reason for the resentment about cars.

The indiscriminate uses and abuses of cars by some cadres are too numerous to even list.

Even though a certain "department"-level manager who is in charge of 19 people would have been considered at most one of the "lowest officials" under "imperial law,"

he has still been acting in an imperial manner, assuming the airs of a high-level manager, and turning a leased car into his own special vehicle for carrying him back and forth to work. What is worse is that even his carefree, scholarly son has benefited by taking his "(dad's) chugging and horn-blowing" car back and forth to school.

Despite the fact that a certain district-level official has been enjoying the special privilege of taking over his unit's only car for his personal use, by repeatedly claiming that he is in too poor health to ride a bus back and forth to work, insiders have privately revealed that his health is actually "quite good."

The head of another very small construction unit always travels by car when he goes on inspection tours of work sites. Whenever his unit is unable to assign him a car, he rents one and arrives at the construction site in a cloud of smoke, with absolutely no sympathy for the rough, footsore, sunburned, and sweating workers.

A manager of a food products corporation in another district adopted an original approach to take all of his food market managers on an inspection tour of southern China. He mustered his company's six Santanas for a great, rumbling, 1,000-li procession from the mouth of the Chang Jiang at Shanghai halfway across China to the mouth of the Pearl River at Guangzhou. Except for the widespread publicity, grand spectacle, and huge expense, what results did this actually bring?! Another even worse example involved the general manager of a jade-packing contracting company, who had his unit assign a car to take him home from work every evening. He had a large circle of acquaintances and many connections among whom he liked to make the rounds at night. In order to avoid being spied upon on his nightly patrols, he took a special "two-car" "taxi" caravan, the combined cost of which was written off by the contractee as "simple food and drink."

#### **"When the Master Is Honest, Who Dares To Be Dishonest?"**

The abuse and private use of state-assigned cars casts a shadow over the relations between cadres and the masses. In order to eliminate this shadow, making sure that state-assigned cars remain "public" is certainly an issue which we must face up to and resolve conscientiously.

So how is this issue to be dealt with and resolved?

Some say that we must set rules and rely on laws and decrees. This should go without saying because how could anything be circumscribed without rules? However, it seems that a simple laying down of rules and issuing of bans will certainly not be able to resolve the issue. We understand that the problem is certainly not that all units in all areas do not have various effective or ineffective regulations about the purchase and use of state-assigned cars. But why have they been enforced so ineffectively in recent years? For instance, the State

Council, in fact, stipulated explicitly in 1985 that automobile imports were to be strictly controlled. So why has the automobile import trend remained so "strong" in recent years despite the stipulations against it?

Others say that the issue should be resolved through public supervision and strict investigation and punishment. This also goes without saying. The private use of state-owned cars has been being constantly exposed in the press in 1990. In Shanghai alone, affairs such as "traveling in state-owned cars to burn incense and sweep graves," have been exposed in the press, and the control sector's specially geared investigations and punishments have greatly reined in this practice. However, JIEFANG RIBAO still carried an article on 4 September 1990 entitled "How the Favored Ones Ride to Kindergarden," which said, "How typical it is to see unit cars and minivans delivering children. Seeing these favored ones bouncing out of cars makes one feel that they get treatment different from the masses. One big van was even seen carrying five old, middle-aged, and young parents, but only one little boy." Moreover, the author of this article witnessed and recorded the license plate numbers of 22 state-owned cars taking children to kindergarden!

So it seems that, although controlling the problem with regulations, public supervision, and reliance on strict discipline enforcement, investigation, and punishment by special departments are all necessary and important, it has still not been easy to stop the abuse and eliminate the practice. What is the key to accomplishing this?

Our ancestors said that "As honesty trickles down, when the master is honest, who dares to be dishonest?" Early the next morning after Yang Kehong [2799 0344 3163], municipal CPC Committee secretary in the city of Yichun, saw a news photo in the paper of cars taking children to school, he rushed over to the school to take a personal look. Sure enough, he saw car after car delivering children to school. He recorded the car models and license numbers, and published them in the newspaper along with a short article entitled "What Sort of Privileged People Are These?" Although some could not understand why a municipal CPC Committee secretary would come out directly to personally criticize such behavior, Yang Kehong said justly and forcefully that "I simply wanted to emphasize how seriously a municipal CPC Committee secretary considers such unhealthy tendencies." He spoke out firmly and elicited a good response, which effectively stopped the private use of state-owned cars in the city of Yichun. We may draw the conclusion from this example that local or departmental "responsible officials" or responsible departments can actually be the key to eliminating abuses and fostering honesty. Their personal attention, arousing of public opinion, and organizing of investigations and punishments can usually achieve the most direct and clear results in checking all kinds of unhealthy tendencies!

## 2.67 Million College Graduates in 5 Years

HK1512092290 Beijing CHINA DAILY in English  
15 Dec 90 p 3

[By staff reporter]

[Text] The total number of college graduates over the past five years had hit 2.67 million, an increase of 74.3 percent on the previous five years between 1981 and 1985.

This is just one indication of the remarkable achievements China has made in its educational development during its Seventh Five-Year Plan period (1986-90), according to a report from the State Statistics Bureau.

During the five-year period, vocational school graduates numbered 2.92 million, an increase of 57.7 percent on the previous five years, while the number of middle school graduates with special agricultural training reached 3.86 million, a massive 140-percent increase on the Sixth Five-Year Plan period.

Attention paid to education by the government and the support given by society had contributed to the rapid development of education, the report said.

It said that during the first four years of the five-year plan, funds for education from a number of channels had continued to increase.

The funds used for education in 1989 had reached 50.3 billion yuan (\$9.7 billion), of which 39.7 billion yuan (7.6 billion) had come from the central government.

The 39.7 billion yuan had accounted for 12.4 percent of the government's total budget for 1989, compared with 11.4 percent in 1985, the report said.

Scholarships collected from society or donated by communities or individuals had hit 3.5 billion yuan (\$673 million) in 1989, an increase of 20 percent on the 1.5-billion-yuan (\$290 million) figure in 1986.

The report said that during the Seventh Five-Year Plan, the government had made efforts to control the development of ordinary universities and colleges because it had believed they were developing too quickly.

the result was that ordinary universities and colleges had enrolled 620,000 new students in 1989, about the same number as in 1985, the report said.

The country, however, had seen a sharp increase to 18,000 in the number of vocational and technical schools, 14 percent up on 1985.

The report said the schools had enrolled 6.3 million students in 1990, an increase of 36 percent on 1985.

About 97 percent of primary school age children had attended primary schools throughout urban and rural China during the five years, but in 1989, 3.9 million primary school pupils had dropped out of school.

Although 10 million illiterate adults had received education during the SEventh Five-Year Plan, the yearly average was 1.1 million down on the previous five-year period, the report said.

In 1990, 1.7 million adults had received higher education through night schools, television and radio broadcasting classes and other forms of education.

Another 15.5 million adults had attended middle school classes and 19.5 million had attended primary school classes, the report said.

The country had 11 million teachers by 1990, an increase of 19 percent on 1985, an increase of 19 percent on 1985. By 1989, 51.2 percent of kindergarten teachers were graduates from high schools or vocational schools, the report said.

## Winter Draft Getting Under Way in Shanxi

### Meeting on Draft Held

91P30053A Taiyuan SHANXI RIBAO in Chinese  
12 Oct 90 p 1

[Unattributed article: "The Province's Winter Draft Starts 10 November"]

[Text] The province's winter draft begins 10 November. Every young person in the province who is old enough to join the Army, especially the several tens of thousands of this year's high school graduates, should accept and welcome the day the mother country selected. This is the news that was promulgated at the close of the full provincial winter draft meeting.

This meeting was held by the provincial government and the provincial military district. The meeting passed on the State Council's and the Central Military Commission's decision: From now on, every year the military draft will be carried out in the winter rather than the spring; at the same time, there will be a second drafting of soldiers this winter.

The country's universally stipulated winter draft regulations are especially favorable for this year's high school graduates and the youths of the enterprise units who are old enough to join the Army: Not including those who under equal conditions are first drafted or drafted en masse, there will also be a widening of the age range for high school students from 17 to 19 years of age, for young workers a widening of the range from 18 to 21, and other youths are just limited to 18 to 19 years of age. The new policies also stipulate: in order to alleviate the pressure of ex-servicemen's resettlement, the whole province's drafting of city and town (including the village towns) nonagricultural youth must be limited to 25 percent of the total, and also limited to drafting from the pool of high school graduates. In order to ensure quality of the soldiers, this time there is an increase in checking for sexually transmitted diseases and AIDS; all will use the new "Standard Logarithm Vision Charts" to carry out eye exams; the Headquarters of the General Staff, the General Political Department, and the Ministry of Public Security together have formulated new, stricter political investigative requirements. In order to correct the unhealthy trends and strictly sanction the procedures, this time, within the province, the "Citizens Drafted Enrollment Approval Certificates" and "Investigation of Citizens Drafted Into the Army Forms," sealed across the perforation of two halves and serially numbered, will be issued according to the number of responsibilities and in a specified number. These are to take the place of the old "Enlistment Registration Form" and "Approval Certificate" and are to be put in files for future reference. Concurrently the province will promote a universal strong and effective draft inspection mechanism.

Yu Hongli, [0060 7703 4409], member of the provincial Standing Committee and provincial Military District cation mechanism.

Yu Hongli, [0060 7703 4409], member of the provincial Standing Committee and provincial Military District commanding officer, hosted the meeting; Vice Governor Guo Yuhai [6753 5940 2037] spoke at the meeting; Zhang Fa [1728 3127], vice commanding officer of the provincial Military District, made preparations for the draft. Zhang Hengcai [1728 1854 2088], former assistant commanding officer of the provincial Military District, and responsible people from related ministries and localities, leaders responsible for military districts, and so forth, also participated in the meeting.

### Conscription Regulations

91P30053B Taiyuan SHANXI RIBAO in Chinese  
26 Oct 90 p 1

[Unattributed article: "Implement the Directives of the Military Commission of the Central Committee to Ensure the Quality of the Troop—The New Regulations for This Year's Conscription in Taiyuan"]

[Text] In order to implement the spirit of the directives of General Secretary Jiang Zemin and the Central Committee of the Communist Party of China concerning this year's winter conscription and to infuse a high-quality soldier into the armed forces, the Taiyuan City government and the Military District held a citywide conscription meeting on the 23d [October], wherein this year's conscription regulations were drafted.

These regulations are: 1) Strictly implement conscription orders and requirements for recruit quality. 2) Forbid enlistment by nonlocals, overenlistment, and lowered requirement standards. 3) Do not enlist or recruit those who are dissatisfied with the party and socialist system; who are seriously troubled with bourgeois liberalization; who are hooligans, larcenists, or troublemakers; and those previously sentenced for criminal offenses. Do not recruit and enlist underage or overage youths and current students, those with less than a junior middle school education, or illiterate youths. Conscription leadership organizations at every level must include personnel from the discipline committee and supervision and education departments to increase the degree of transparency and openness.

### Xinjiang Issues 1990 Winter Conscription Order

OW20D0719 Urumqi XINJIANG RIBAO in Chinese  
17 Nov 90 p 1

[By correspondent Wei Zhijie (7614 1807 2638)]

[Text] The autonomous regional people's government and the Xinjiang Military District recently issued a 1990 winter conscription order, urging all localities to do a good job in conscription work in order to ensure the quality of draftees.

The order for this winter's conscription work includes the object, scope, age, and condition of draftees, as well as methods and time of the conscription. In addition, it sets the following requirements:

First, it is necessary to conscientiously strengthen leadership over conscription work. People's governments at all levels should take conscription work as an important mission and assign a major leader responsible for the work. It is necessary for all relevant departments to cooperate and to do their best to accomplish this conscription work.

Second, effective measures should be taken to ensure the quality of draftees.

Third, it is imperative to strengthen clean government construction and to enforce discipline in conscription work. Anyone who violates regulations governing conscription, commits fraud, plays favorites, tolerates irregularities, seeks bribes, or takes bribes should be investigated and dealt with seriously. Young men living in urban areas are not allowed to transfer their household registration to rural areas. Those found violating the rule may not enjoy preferential treatment, such as having work arranged for them after retirement. Localities and public security and public health departments should follow all regulations and conditions in order to do an excellent job in political and physical examinations of draftees. It is necessary to control the ratio of draftees coming from rural and urban areas. Railway and transportation departments should take measures to ensure smooth transportation of draftees and to do a good job in providing meals and preventing diseases during transit.

### **Military Industries To Exhibit Civilian Products**

*HK11D1055 Beijing CEI Database in English  
11 Dec 90*

[Text] Beijing (CEI)—China's military industrial enterprises will display 2,500 items of high technologies and products at the International Exhibition Center in Beijing on December 15.

To be displayed on a floor space of 10,000 square meters, the exhibits will cover 23 industries including machine-building, vehicles, broadcasting communications, chemicals, medical apparatus, textile machinery, light industrial machinery, energy saving and environment protection.

Some 720 military enterprises under the Ministry of Aerospace Industry, the Ministry of Machine-Building and Electronics, the China National Nuclear Industry Corporation, the North China Industry (Group) Corporation and the China Shipping Industry Corp will display their products.

In recent years, China's military industrial enterprises have built some 300 production lines, turning out more than 10,000 kinds of civil products. In 1989, the output value of civil products produced by military industrial

enterprises accounted for 66 percent of the total output value of the country's defence industry.

The major products included civil aircraft, ships, automobiles, railways cars, generating equipment, technical installations, household electrical appliances and motorcycles.

Meanwhile, the military industrial enterprises have exported several hundred kinds of civil products and technologies including ships, TV sets, electronics, motorcycles, automobiles, refrigerators, medical apparatus and aircraft. The exports went to 53 countries and regions.

Foreign participation in the show is welcome.

The show is sponsored jointly by the State Planning Commission, the State Science and Technology Commission, Commission of Science, Technology and Industry for National Defense, and the Ministry of Foreign Economic Relations and Trade.

### **Lanzhou Military Leaders Emulate Yanan Spirit**

*OW17D1048 Beijing Domestic Service in Mandarin  
2230 GMT 16 Dec 90*

[By reporter Guo Huailiang; from the "News and Press Review" program]

[Text] Senior and middle-ranking cadres of the Lanzhou Military Region have taken the lead in emulating the Yanan spirit and have set good examples in working hard and daring to make sacrifices in order to motivate all officers and men of the military region to improve military construction.

Since the beginning of the year, commander Fu Quanyou and political commissar Cao Pengsheng have led some senior and middle-ranking cadres on two study tours to Yanan, where they enriched themselves with spiritual nourishment and sponsored several theoretical study classes to explore ways to carry forward the Yanan spirit in the new situation. They concentrated their efforts on practicing and advocating the Yanan spirit with concrete actions.

Following the reshuffle of leading bodies of units at and above the army level in the region in June, all units have set up or improved regulations on persevering in honest work style. A number of division-level cadres, who were transferred to work at hardship posts in frontier highland areas, promptly accepted the assignments and reported to work without considering personal gains or losses. Many cadres at army and division levels have persisted in going down to selected grassroots units to help improve their work, gain firsthand experience for guiding overall work, and go through thick and thin with soldiers.

The principal leaders of the Shaanxi Provincial Military District visited the people's armed forces departments in 107 counties and cities throughout the province to offer guidance in militia and reserve force construction. Since the beginning of this year, five units in the district have been conferred with honorable titles by the Central Military Region [as received].

## CENTRAL-SOUTH REGION

### Guangdong Acts To Prevent Hotel Prostitution

HK1412122190 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 14 Dec 90

[Text] The provincial public security department and the Guangzhou City Public Security Bureau jointly held a meeting attended by general managers of foreign-related hotels in the auditorium of the Guangzhou City Government. The meeting made arrangements for in-depth investigation into prostitution cases and prostitution banning work.

There are more than 1,400 hotels in Guangzhou City at present. Statistics show that from January to October, the city's hotel staff provided information leading to the arrest, or capture on the spot, of more than 3,000 lawless people. The city's public security organs captured more than 1,500 people involved in prostitution in various hotels. Some hotels and inns publicly procured women for prostitution, introduced clients to prostitutes, and gained profits from these dealings. The management of a luxury hotel in Guangzhou City turned a blind eye to the rampant prostitution activities in the hotel. The local public security organs captured a total of 108 covert prostitutes, clients, and other lawless people inside the hotel in two of its operations. Three major larceny cases took place in Hubin Hotel early last month. In all three cases, criminals lured victims with women. The public security organs concerned issued three warnings to the hotel management and ordered it to conduct internal rectification within a stated time. However, the hotel management turned a deaf ear to such warnings.

At the meeting, the responsible persons of the provincial and Guangzhou City public security organs pointed out in no uncertain terms that it is necessary to immediately launch a campaign aimed at cracking down on prostitution activities first in the urban hotels so as to mobilize other trades and professions and the whole society to urge hotels to straighten out their operational thinking and to do business in accordance with the law.

## SOUTHWEST REGION

### Sichuan Opens Institute of Tibetan Studies

OW1812135390 Beijing XINHUA in English 1302 GMT 18 Dec 90

[Text] Chengdu, December 18 (XINHUA)—The Sichuan Institute of Tibetan Studies was inaugurated here today.

The president of the institute is Yangling Doje, deputy governor of Sichuan Province.

The institute will organize scholars and experts to study the history, culture and economy of the Tibetan nationality, train researchers and undertake international academic exchanges.

Sichuan is the home to one quarter of the Tibetans in China and a large number of Tibetan scholars.

## NORTHEAST REGION

### Liaoning Urban Income Level Rises

SK1812021790 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 15 Dec 90

[Text] During the Seventh Five-Year Plan period, the income level of the province's urban people has gone up constantly. Compared with the Sixth Five-Year Plan period, a remarkable change has taken place in the consumption structure of the province's urban people. The staple foods consumed by the urban people have become richer in nutrition, the nonstaple foodstuffs have changed from coarse and low quality to fine and high quality, and clothing has improved in quality and developed from being economical and practical to being comfortable, fashionable, and diversified in design. Meanwhile, the proportion of per capita cotton consumption to total cloth consumption has dropped year after year, the amount of high-grade clothing owned by the people has increased constantly, and durable consumer goods have developed from low-grade ones to high-grade ones, and the money used to buy gold, silver, and jewelry ornaments has increased by 5.2 times.

During the Seventh Five-Year Plan period, the housing conditions of urban people have improved constantly, with per capita housing space reaching 5.92 square meters. The people's spiritual and cultural livelihood has also improved with each passing day, and such public facilities as mass art halls, cultural halls, and public libraries have also undergone constant improvement. Per capita spending on cultural and recreational articles and on subscriptions to books, newspapers, and magazines have increased by more than 80 percent over the Sixth Five-Year Plan period.

### Heilongjiang Stresses Cadre Quality at Meeting

SK1712141890 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 16 Dec 90

[Text] The provincial meeting held by the provincial party committee to exchange experiences in the construction of leading bodies at and above the county level throughout the province opened at Harbin's Beifang Building on the morning of 16 December. The major tasks for strengthening the construction of leading bodies in the future as put forward at the meeting are to reshuffle and organize leading bodies at various levels in line with the principle of making the cadre contingent meet four requirements, and the principle of selecting the cadres who have both political integrity and ability, and to promote to leading posts at various levels cadres who are politically sound, have strong organizational ability, are proficient in their professions, have outstanding performance records, adhere to principles, and are honest and diligent.

Zhou Wenhua, deputy secretary of the provincial party committee, presided over the 16 December plenary session. Present at the meeting were principal leading comrades of the provincial party committee, the provincial Advisory Commission, the provincial People's Congress, the provincial Chinese People's Political Consultative Conference Committee, and the provincial Discipline Inspection Commission, including Sun Weiben, Wang Zhao, Wang Luming, Wang Haiyan, Li Genshen, Ma Chunwa, Ma Guoliang, Xie Yong, Meng Qingxiang, Shan Rongfan, and He Shoulun. The Organization Department of the party Central Committee also sent personnel to participate. Attending were more than 300 persons. They were secretaries of city, prefectural, and county party committees, organization department directors of city and prefectural party committees, and responsible comrades of pertinent provincial departments and bureaus.

Wang Haiyan, Standing Committee member of the provincial party committee and secretary of the provincial Discipline Inspection Commission, spoke at the meeting on behalf of the provincial party committee. Wang Haiyan said that the new situation makes new and still higher demands on leading bodies. Party committees at various levels should have a clear understanding of the situation and their tasks. Proceeding from the requirement for strengthening party building and making the organization of the leading bodies meet the needs of leading economic work, they should select virtuous and able persons in line with the current standards. In the next 10 years, the focus of the work of the entire party is to promote economic construction. This requires that we unswervingly install leading bodies at various levels with the cadres who have both political integrity and ability, and who meet the needs in the party's central task. When promoting cadres, we should base our judgment not only on their political quality and political performance but also on whether they have strong organizational and leadership ability, whether they are proficient in economic work or relevant professions, whether they have fairly rich experiences in practical work, whether they have a pioneering spirit to make progress in work and have outstanding records, whether they have the courage to adhere to principles, and whether they are honest and diligent in performing their duties and serve the people wholeheartedly. We should resolutely oppose and overcome the various erroneous tendencies affecting the practice of selecting virtuous and able persons. When selecting and appointing cadres, party committees and leading comrades at various levels should be fair and honest, and persistently act according to party principles. They should not make selections according to their feelings, personal relations and personal likes and dislikes, still less should they appoint people out of favoritism. They should resolutely resist and eliminate the interference of unhealthy trends in the work related to

cadres. Instead of giving official posts to the cadres who ask for them personally or ask others to look for them, they should sternly criticize and educate these cadres. Leading cadres who promise others official posts through favoritism should also be sternly criticized and educated, or transferred from their leading posts if their cases are serious. We should further change our ideas, emancipate our minds, and bravely select and appoint outstanding young and middle-aged cadres. Never should we promote people based on their seniority, or give special consideration to certain persons to balance the quotas. Instead of sticking to one pattern only, we should proceed from the party's cause and needs in placing outstanding persons in important posts.

Comrade Wang Haiyan said that, to be a success in the construction of leading bodies, we should also replenish the top and secondary leaders of party and government leading bodies and further improve the work structure of leading bodies. Members of leading bodies should show concern for and be familiar with economic work, conduct investigation and study of the major issues on economic work as defined by party committees, and improve their ability to discuss work and make decisions. On the premise that leading bodies are kept relatively stable, we should do a better job in the transfer of cadres and continue to reshuffle the incompetent ones. We should step up the reshuffle of leading cadres who, in the past few years, proved to be low in their decisionmaking level, poor in organizational and leadership ability, and incompetent in work; who failed to fulfill their tasks and to open up a new perspective in their work; and with whom most cadres are dissatisfied. Meanwhile, we should make proper arrangements for the incompetent cadres based on different conditions.

Speaking on improving the quality of leading cadres, Wang Haiyan pointed out that we should now conduct reeducation among leading cadres in four aspects. We should conduct reeducation on the party's basic line to enable cadres to firmly embrace the idea of taking economic construction as the central task, and improve their ability to lead economic work. We should conduct reeducation on party spirit to enable cadres to examine their problems against the party constitution and the requirements for party members, strictly enforce discipline, and conscientiously solve their problems. We should conduct reeducation on the party's ideological line of seeking truth from facts. We should conduct reeducation on the mass line.

In his speech, Wang Haiyan also called for strictness in the construction of leading bodies. We should strictly enforce party discipline, and organizational systems, strengthen the unity of leading bodies, enable them to resolve their contradictions in an independent and responsible manner, and turn them into a strong core leading the socialist modernization cause.

**Romanian Spokesman Reaffirms 'One China' Policy**

*OW1412030690 Beijing XINHUA in English  
0233 GMT 14 Dec 90*

[Text] Bucharest, December 13 (XINHUA)—Romania today reaffirmed its "one China" policy. It would not establish any official relations with Taiwan, Foreign Ministry Spokesman Traian Chebeleu said today.

The newspaper ROMANIA LIBERA had stated that Romania was the slowest among East European countries in developing economic ties with Taiwan because

the government was afraid of the effect that might have on its relations with Beijing.

But Chebeleu explained at a press conference that while the government would not set up any official relations with Taiwan, it would also not oppose private enterprises having trade contacts. He said the Chinese Government did not object to other countries establishing unofficial contacts with Taiwan.

Taiwan products have begun to appear in Romanian markets recently and Taiwanese companies have begun seeking economic partners in the country.

**Russian Language Students Plan Studies in Moscow**

*OW1412081190 Taipei CNA in English  
1527 GMT 13 Dec 90*

[Text] Taipei, Dec. 13 (CNA)—Some 60 Russian majors from Taiwan will fly to Moscow next summer for language training, legislator Tsai Chung-han said Thursday.

"About 60 students from National Chengchi University and the Chinese Culture University have expressed a strong desire to go to Moscow," Tsai said.

Ruth S. Tsazolova, director of Moscow State University's center of foreign languages, is scheduled to come here late this month to sign a (?contract) foreign language training program.

According to the contract, people here intending to polish their Russian communicative skills will go to Moscow State University for two months during the summer, Tsai noted.

The Russian-speaking lawmaker himself attended a two-month language training program at the Moscow university this summer.

**PRC Seismological Society Offers Help on Quake Study**

*OW1712075190 Taipei Domestic Service in Mandarin  
2300 GMT 15 Dec 90*

[From the "News and Commentary" program]

[Text] After many strong earthquakes occurred in Hualien, the Chinese Communist State Seismological Bureau yesterday, in the name of the China Seismological Society, sent a telegram to the Taipei City Science Institute, saying that it is willing to send experts to Taiwan to monitor aftershocks.

According to a XINHUA NEWS AGENCY report, the mainland seismological bureau's network has monitored successive strong earthquakes in Hualien. The Chinese Communist State Seismological Bureau, in the name of the China Seismological Society, expressed its sympathy by sending a telegram to the Taipei City Science Institute. In the telegram, the society expressed its deep concern for the casualties and certain damages as a result of the earthquakes in Hualien. In addition, it mentioned that, if necessary, the society is willing to send experts to monitor aftershocks in Taiwan.

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